



**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

31 MARCH 2020

**Sevenside Housing
Brassey Road, Old Potts Way, Shrewsbury, SY3 7FA**

Registration No. 8084

A member of The Housing Plus Group

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BOARD MEMBERS, EXECUTIVE OFFICERS, AUDITORS, ADVISORS AND BANKERS

Registered Office	Sevenside Housing, Brassey Road, Old Potts Way, Shrewsbury, Shropshire SY3 7FA
Sevenside Housing	Registered Community Benefit Society No: 8084 Registered by the Regulator of Social Housing No: LH4325
Internal Auditors	Mazars LLP (to 31 March 2020) 45 Church Street, Birmingham, B3 2RT Beever and Struthers (appointed 1 April 2020) 20 Colmore Circus Queensway, Birmingham, B4 6AT
External Independent Auditors	BDO LLP , Chartered Accountants and Statutory Auditors, Two Snowhill, Birmingham, B4 6GA
Legal Advisors	Anthony Collins LLP 134 Edmund Street, Birmingham, B3 2ES Trowers & Hamblins LLP 55 Princess Street Manchester, M2 4EW
Funders	Shropshire Council , The Shirehall, Abbey Foregate Shrewsbury, SY2 6ND
Bankers	National Westminster Bank PLC , 8 Mardol Head, Shrewsbury, SY1 1HE

BOARD MEMBERS, EXECUTIVE OFFICERS, AUDITORS, ADVISORS AND BANKERS (continued)

Board of Management	S Jennings (Chair) C Dass C Royall – appointed 1 October 2019 J Pert – appointed 1 October 2019 R Barber – appointed 1 November 2019 E Harrison – appointed 1 November 2019 P Ingle (Executive Director) P Phillips – resigned 1 October 2019 T Pate – resigned 1 October 2019 R O'Byrne – resigned 1 October 2019 M Price – resigned 1 October 2019 L Haynes – resigned 1 October 2019 T Harris – appointed 1 October 2019, resigned 30 March 2020 P Roberts – appointed 13 July 2020
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Chief Executive	S Boden
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Executive Directors

Deputy Chief Executive and
Finance Director

P Ingle

Property Director

S Collins

Neighbourhoods Director

J Goode

Care and Support Director

L Clarke

Commercial Director

S Duffill – appointed October 2019, resigned
February 2020

People and Transformation
Director

L Wagstaff - resigned October 2019

Company Secretary

I Molyneux

REPORT OF THE BOARD

Severnside Housing ('Severnside' 'the Association') is a registered society (RS008084) which was established to receive a transfer of social housing properties from Shrewsbury and Atcham Borough Council in October 2001. Its principal activities are the management and development of affordable housing.

Severnside merged with Housing Plus on the 1st October 2016. Housing Plus, (the Group) Severnside's ultimate controlling party, is a non-housing asset holding company which provides the central services for Severnside and the other subsidiaries in the Group such as finance, human resources, information technology, development, legal and governance, health and safety and corporate publicity.

Severnside owns the entire issued share capital of Severn Homes Limited which develops properties for outright sale, and Severnside Community Association, which undertakes charitable activities within social housing.

Housing Plus has prepared a Group Strategic Report to accompany the consolidated financial statements. In line with the Statement of Recommended Practice for registered social housing providers 2018 update, Severnside has taken a decision to use the exemption not to provide a full strategic report within its own financial statements. The Statement of Compliance with regulatory policies is available in the Group Strategic Report.

Board Members and Executive Officers

Severnside is governed by a Board of Management composed of six non-executive members and one executive member. Severnside is managed by a senior management team headed by the Chief Executive and supported by a Finance Director and Deputy Chief Executive, Property Director, Neighbourhoods Director and the Care and Support Director. The Executive Management Team attends Board meetings.

The Group has purchased Directors' and Officers' Liability Insurance for the Board Members, Executive Officers and staff of the Group and Severnside Housing. Members of the Board receive remuneration. The remuneration of the Board, the Chief Executive and the other Executive Officers is determined by the Housing Plus Board. External professional advice is sought as necessary to ensure that regard is taken of remuneration levels in similar companies and the market place.

Governance

Severnside Housing complies with the Homes and Communities Agency's (HCA) Governance and Financial Viability Standard. In April 2015 The Housing Plus Group adopted the National Housing Federation (NHF) Excellence in Governance Code as its approved Code of Governance. Severnside Housing complies with this Code.

REPORT OF THE BOARD (continued)

Going concern

After reviewing Sevenside's budget for 2020/21 and long term financial plan based on normal business planning and control procedures, the members of the Board have a reasonable expectation that Sevenside has adequate resources to continue in operational existence for the foreseeable future.

The impact of the Covid 19 outbreak has been considered by the Board of Management, and they have confirmed that the outbreak does not pose a material uncertainty that would cast doubt on the Association's ability to continue as a going concern. The board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis. See Note 2a for further details.

Statement of compliance

The Board confirms that Sevenside Housing has complied with all relevant regulatory and legal requirements. The Board evidences this for the Group and its subsidiaries through appropriate policies and procedures and a strong control framework (described in the Group Statement of Internal Controls). The Board also reviews the effectiveness of the control framework and the assurance received from it including receiving external reviews from the Internal Auditor.

Statement of the Board's Responsibilities

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

Co-operative and Community Benefit Society law and social housing legislation require the Board to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the Board is 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: Accounting by registered social housing providers 2014 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

REPORT OF THE BOARD (continued)

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and 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, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. 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.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018 update.

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the Board. The Board's responsibility also extends to the ongoing integrity of the financial statements contained therein.

Provision of information to auditors

The Association Board Members who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware; the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that Association auditors are aware of that information.

Independent auditors

A resolution to appoint External Auditors will be proposed at the next Annual General Meeting.

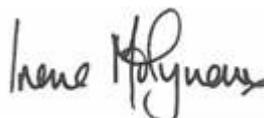
By Order of the Board
22 July 2020



S Jennings
Chair



P Ingle
Director



I Molyneux
Company Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEVERNSIDE HOUSING LIMITED

Opinion

We have audited the financial statements of Sevenside Housing ("the Association") for the year ended 31 March 2020 which comprise the Association statement of comprehensive income, the Association statement of financial position, the Association statement of changes in equity 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 2020 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 Co-Operative and Community Benefit Societies Act 2014.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEVERNSIDE HOUSING LIMITED (continued)

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements;
- adequate accounting records have not been kept by the Association,
- a satisfactory system of control has not been maintained over transactions,
- the Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the board members responsibilities statement set out on page 4 and 5, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEVERNSIDE HOUSING LIMITED (continued)

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 the Co-Operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

BDO LLP
Statutory Auditor
Two Snowhill
Birmingham
B4 6GA
Date 9 September 2020

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

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year Ended 31 March 2020 £'000	Year Ended 31 March 2019 £'000
Turnover	3	30,088	28,243
Cost of sales	3	(749)	(438)
Operating expenditure	3	(19,797)	(18,656)
Surplus on disposal of housing properties	4	2,184	1,140
Operating surplus		11,726	10,289
Interest receivable and similar income	5	129	15
Interest payable and financing costs	6	(8,227)	(7,562)
Movement in fair value of investment properties	11c	(7)	(516)
Distribution received from subsidiary	22	59	-
Gift aid received from subsidiary		-	975
Surplus before taxation	7	3,680	3,201
Taxation	8	-	-
Surplus for the financial year		3,680	3,201
Actuarial gain/(loss) in respect of pension schemes	19	3,956	(1,557)
Total comprehensive income for the year		7,636	1,644

All the turnover and surplus disclosed above are derived from continuing activities.

The accompanying notes on pages 12 to 43 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES

	Year ended 31 March 2020		
	Income and Expenditure Reserve	Restricted Reserve	Total Reserves
	£'000	£'000	£'000
Balance at 1 April 2019	10,763	3,287	14,050
Total surplus from Statement of Comprehensive Income	2,853	827	3,680
Actuarial gains on defined benefit pension scheme	3,956	-	3,956
Total comprehensive income for the year	3,956	-	3,956
Transfer	(58)	58	-
Capital spend in the year	-	(450)	(450)
Balance at 31 March 2020	17,514	3,722	21,236

	Year ended 31 March 2019		
	Income and Expenditure Reserve	Restricted Reserve	Total Reserves
	£'000	£'000	£'000
Balance at 1 April 2018	9,882	2,796	12,678
Total surplus from Statement of Comprehensive Income	2,438	763	3,201
Actuarial (losses) on defined benefit pension scheme	(1,557)	-	(1,557)
Total comprehensive income for the year	(1,557)	-	(1,557)
Capital spend in the year	-	(272)	(272)
Balance at 31 March 2019	10,763	3,287	14,050

The accompanying notes on pages 12 to 43 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 March 2020

	Note	Year Ended 31 March 2020 £'000	Year Ended 31 March 2019 £'000
Tangible fixed assets			
Housing properties	11a	179,717	167,205
Other tangible fixed assets	11b	2,575	2,689
Investment properties	11c	14,155	14,162
		196,447	184,056
Current assets			
Stocks	12	1,545	682
Debtors	13	5,753	5,636
Investments		-	200
Cash and cash equivalents		2,757	995
Less: Creditors: Amounts falling due within one year	14	(4,706)	(6,674)
Net current assets		5,349	839
Total assets less current liabilities		201,796	184,895
Creditors: Amounts falling due after more than one year	15	(170,373)	(157,170)
Pension liability	20	(10,187)	(13,675)
Total net assets		21,236	14,050
Reserves			
Income and expenditure reserve		17,514	10,763
Restricted reserve		3,722	3,287
Total reserves		21,236	14,050

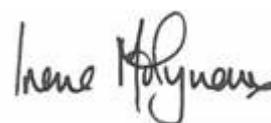
The financial statements were approved by the Board and authorised for issue and signed on its behalf on 22 July 2020 by:



Steve Jennings
Chair



Philip Ingle
Director



Irene Molyneux
Company Secretary

The accompanying notes on pages 12 to 43 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Legal status

Severnside Housing is an exempt charity, registered as a Co-operative and Community Benefit Society and the Regulator of Social Housing (LH4325), under the Housing Association Act 1985, as a social landlord. Severnside Housing is a public benefit entity as described by FRS102.

2. Accounting policies

a. Basis of accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (FRS102), and the Statement of Recommended Practice for registered social housing providers update 2018 update (early adoption). The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

As part of their normal annual review and budget approval process, the Board of Management have reviewed the combined 30 year business plan for Severnside Housing and South Staffordshire Housing Association, who operate as a funding group with Housing Plus Group Finance Limited and are integral to Housing Plus Group.

The financial plans were stress tested against 3 different scenarios including economic, welfare and compliance changes and a 'perfect storm' scenario was performed combining all of the other 3 scenarios. Mitigations were only needed in this 'perfect storm' scenario. Under this scenario the joint business plan needed mitigations of £5.9m which could be found from within the £39.1m of uncommitted developments included in the plan or the planned annual spend of £4.4m on kitchen and bathroom improvements.

The impact of the Covid 19 outbreak has been considered by the members of the Board. The Association continues to operate effectively with the majority of support staff working from home and other staff abiding by social distancing. Contrary to expectations, the Association has performed well to date. Rental income collection has remained strong during the period with little change in the arrears figure to date with performance at 1.98% which is below the corporate target of 3%. Voids performance suffered during the 'lockdown' period, but performance has since improved, and it is anticipated that void loss will be controlled around the budget level. Development work and planned maintenance work was also suspended during the start of the 2020/21 financial year but has since resumed.

As at 31st March 2020 the Association had £2.7m of cash and access to a further £31.5 million of undrawn borrowing facilities within Housing Plus Group Finance Limited. The Board is satisfied that this funding is available as Housing Plus Group Finance Limited, Severnside Housing and South Staffordshire Housing Association are integral to the Group as set out in the 30 year business plan.

Given the strength of the balance sheet and availability and liquidity of undrawn loan facilities the Board believe that while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Association's ability to continue as a going concern for the foreseeable future, which is a period of at least 12 months from signing of the accounts and audit report.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The Board therefore consider it appropriate for the accounts to be prepared on a going concern basis.

b. FRS102 Exemptions

The Association is a wholly owned subsidiary and is exempt from the requirement to prepare consolidated financial statements. In preparing separate financial statements the Association has taken advantage of the disclosure exemption in FRS 102 and has not prepared a cash flow statement.

A summary of the key accounting policies, which have been applied consistently across all entities, is set out below with intercompany transactions and balances being eliminated in full.

c. Turnover

Turnover represents rental and service charge income receivable net of voids, sales of first tranche shared ownership properties, grant amortisation and care services income for the year. Turnover (representing those items listed above) in the financial statements notes are analysed to identify General Needs, Supported Housing, Care Housing and Shared Ownership properties.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from Low Cost Home Ownership 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. Service charges, Supporting People Income and care services are recognised when the service has been performed and expenditure incurred.

d. Value Added Tax (VAT)

Sevenside's main income stream, being rent, is exempt for value added tax (VAT) purposes. The majority of expenditure is subject to VAT, which the Group and subsidiaries are unable to reclaim – this expenditure is therefore shown inclusive of VAT.

VAT can be reclaimed under the partial exemption method for certain other activities.

The balance of VAT payable to or recoverable at the year end is included in the financial statements as a current liability or asset.

e. Interest and financial costs

Interest and financial costs represent the cost of financing the purchase of those properties transferred and property acquisitions as well as new development. Loans are secured on the majority of the Association's housing assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Interest and financial costs are charged to the Statement of Comprehensive Income in the year in which it is incurred.

f. Pensions

Severnside participates in one funded multi-employer defined benefit scheme and one defined contribution scheme - the Severnside Housing Defined Contribution Scheme (provided by Scottish Widows) and the Shropshire County Council Local Government Pension Scheme (Shropshire LGPS). The assets of the funds are kept separately from those of the Association being invested in independently managed superannuation funds.

g. Holiday pay accrual

A current liability is recognised for any unused holiday pay entitlement which has accrued at the Statement of Financial Position date. This is measured at the undiscounted salary cost of the future holiday entitlement at the Statement of Financial Position date.

h. Housing properties

Housing properties are principally properties available for rent. Completed housing properties for lettings are stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes costs of acquiring land and buildings, development costs incurred during the development period and other directly attributable costs. Housing properties under construction are stated at cost less accumulated impairment losses.

Completed housing properties are split between their land and structure costs. Freehold land is not depreciated. Housing properties are depreciated on a straight line basis over the useful economic life of the assets. The depreciable amount is arrived at on the basis of original cost.

Severnside's housing assets are depreciated as follows:

- Depreciation is charged from the date of acquisition or practical completion of works.
- Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.
- Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter, at the following annual rates:
 - Structure 50-120 years
 - Roof 60 years
 - Kitchens 20 years
 - Bathrooms 30 years
 - Heating System/Boilers 15 years
 - Wiring System 30 years

NOTES TO THE FINANCIAL STATEMENTS (continued)

○ Lifts	30 years
○ UPVC External Doors	30 years
○ UPVC Windows	30 years
○ Porches	30 years
○ Solar Panels	30 years

i. Capitalisation

Works to existing properties which replace a component that has been treated separately for depreciation purposes are capitalised as improvements.

Major improvements and renovation of housing properties which extend the life of the asset, increase the rent or considerably reduce the future routine maintenance are capitalised and depreciated over the useful economic life of the asset.

Staff and other costs that are directly attributable to bringing housing properties to practical completion are capitalised. Development costs not capitalised are shown as other activities in the Statement of Comprehensive Income for the year.

Interest costs relating to new development are capitalised. The interest charged reflects the net interest paid over the period of the developments.

j. Accounting for grants

Severnside receives Social Housing Grant and grants from Local Authorities. Any grants provided to reduce the capital cost of housing properties held at cost or specific components of housing properties, are recognised by Severnside using the accrual model. It means that grants are released to the Statement of Comprehensive Income, on a systematic basis over the expected useful life of the housing property structure or if a Disabled Facilities Grant over the expected useful life of the bathroom.

If an asset (housing property or its component) is disposed of, for which grant was received, and there is no obligation to repay the grant, any grant remaining within liabilities on the Statement of Financial Position is released to the Statement of Comprehensive Income. If the grant is available to be recycled it is credited to a Recycled Capital Grant Fund and included as a liability in the Statement of Financial Position.

Any grants received in respect of revenue expenditure are recognised in the Statement of Comprehensive Income as they become receivable.

Donations of land or other tangible assets acquired below market value from a government source are treated as a non-monetary grant. The difference between the fair value of the tangible asset donated or acquired and the consideration paid is recognised as a liability in the Statement of Financial Position. Once the terms of the donation have been met it is released to the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

k. Sale of housing property

Under shared ownership arrangements, Severnside sells a long term leasehold interest of Shared Ownership housing units to persons who occupy them at a lease premium equal to between 25% and 100% of open Market Value. Proceeds of sale of first tranches are accounted for as turnover in the Statement of Comprehensive Income. The total property cost is apportioned between the shared ownership element and the element remaining in SSHA's ownership based on the percentage tranche sold or estimated to be sold. The estimated first tranche value of properties that are developed for sale and are either unsold or work in progress are included in current assets. Subsequent tranches ('Staircasing') are accounted for as disposals. The remaining unsold element remains on the Statement of Financial Position as a fixed asset and is subject to an annual impairment review.

Under Right to Buy and Right to Acquire arrangements Severnside sells properties to qualifying tenants. Receipts from Right to Acquire sales are required to be retained in a ring fenced fund that can only be used for providing replacement housing. The sales receipt less eligible expenses are held in a disposal proceeds fund, which is held in creditors (either current or long term dependent on when it is anticipated to be used).

l. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. These are stated at cost less accumulated amortisation and any accumulated impairment losses. The cost includes cost of asset purchase and other directly attributable costs.

Intangible assets are amortised on a straight line basis over the useful economic life of the assets as follows:

- Software Warranties & Licences 4 years

m. Other tangible fixed assets

Other tangible assets are depreciated on a straight-line basis over the useful economic life of the asset as follows:

- Office Structure 60 years
- Vehicles 4 years
- Furniture & Equipment 5 years
- IT Software 4 years
- Photocopiers 3 years
- IT Hardware 2 years

The threshold for capitalisation is £500 for a single asset or group of assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

n. Impairment

Sevenside carries out an annual impairment review of individual tangible fixed assets and cash generating units. The review takes into account internal and external indicators of impairment including obsolescence, physical damage, expected cashflows, replacement values, market factors and government policy. Sevenside considers cash generating units to be schemes or geographical areas depending on size.

Where an indicator of impairment exists an impairment assessment is performed where the carrying amount is compared to the recoverable amount. If the carrying amount of an asset or cash generating unit exceeds the recoverable amount then the loss is charged to the Statement of Comprehensive Income as expenditure and as a separate line within operating expenditure where it is considered to be material.

o. Leased assets

At inception the Association assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement. Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term. Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

p. Stocks

Stocks are stated at the lower of cost and the estimated sales price less costs to complete and sell.

q. Debtors and creditors

Debtors and creditors receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenditure.

NOTES TO THE FINANCIAL STATEMENTS (continued)

r. Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability of another entity. The Group accounts for its financial instruments using sections 11 'Basic Financial Instruments' and 12 'Other Financial Instruments Issues' of FRS102.

Severnside's financial instruments are all currently classified as basic and include rent receivable, trade creditors, cash and loans.

Basic financial instruments are initially recognised at transaction price and in subsequent years at amortised cost. Financial assets are derecognised when the rights to the cash flows from the asset expire or are settled. Financial liabilities are derecognised when the obligation is discharged, cancelled or expired. Any difference between the consideration paid or received and the amounts derecognised are recognised in the Statement of Comprehensive Income.

s. Cash and cash equivalents

Cash and cash equivalents consists of cash at bank, cash in hand, deposits and short term investments with an original maturity of three months or less.

t. Taxation

Severnside is an exempt charity for corporation tax.

u. Provisions

The Association only provides for when:

- there is a present legal or constructive obligation, resulting from a past event, at the Statement of Financial Position date;
- it is probable that a transfer of economic benefits 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 expenditure required to settle the present obligation at the Statement of Financial Position date.

Severnside sets a provision against rent arrears of current and former tenants based upon historic trends relating to write offs. All other receivables including trade receivables are provided for on a case by case basis.

v. Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Association or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The Association does not recognise a contingent liability but discloses its existence in the financial statements.

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

w. Reserves

Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds

x. Key estimates and judgements

The preparation of the financial statements requires the use of certain accounting estimates and judgements concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

i). Impairment of assets

The Association assesses whether there is any indicator of impairment. Where an indication of impairment exists then an estimate must be made of the recoverable amount of the cash generating unit (CGU). This can require estimation of future cash flows from the CGU or costs of constructing/replacing the CGU if it is not held solely for its cash flows but for its service potential. Estimations are also made in relation to the selection of appropriate discount rates in order to calculate the net present value of those cash flows or costs.

At the reporting date, the Association holds £14.2m of investment properties, of which £13.1m relates to market rent properties valued by Jones Lang LaSalle IP, Inc. (JLL).

The most significant assumptions made for the properties valued by JLL are:

- Vacant possession values: a 10% fall in these would reduce the value of these properties by £1.1m.
- Market rents: a 10% fall in these would reduce the value of these properties by £0.2m.
- Discount rates: the rate applied to rental income is 6.75% whilst the rate applied to capital receipts is 8.00%. An increase of 0.5% in these rates would reduce the value of these properties by £0.2m.

At the reporting date, the Association holds £1.1m of commercial land and buildings. These were valued by JLL during the financial year.

The most significant assumptions made for the properties valued by JLL are:

- Capital value per sq. ft.: a 10% fall in this value would reduce the value of these properties by £0.5m.

NOTES TO THE FINANCIAL STATEMENTS (continued)

ii). Defined benefit pension scheme

The Association has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including: life expectancy, asset valuations and the discount rate on corporate bonds.

Management relies on the estimates made by actuaries and the pension fund in these areas.

During the year ended 31 March 2020, the range of assumptions used by the individual schemes of which the Group is a member are shown in Note 19 of the financial statements.

iii). Classification of Financial Instruments

The Association must make judgements over the classification of Financial Instruments as either basic or other. The implication of this is that if treated as 'other', the loan would have to be shown at fair value with any movements in fair value reflected in the Statement of Comprehensive Income. All of these adjustments are non-cash and would have no impact on the Association's loan covenants.

The Association's financial instruments are all currently classified as basic and measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Particulars of turnover, cost of sales, operating expenditure and operating surplus

	Note	Year Ended 31 March 2020				Year Ended 31 March 2019			
		Turnover £'000	Cost of Sales £'000	Operating Expenditure £'000	Operating Surplus/ (Deficit) £'000	Turnover £'000	Cost of Sales £'000	Operating Expenditure £'000	Operating Surplus/ (Deficit) £'000
Social housing lettings									
Income and expenditure from social housing lettings	3a	27,456	-	(15,278)	12,178	26,164	-	(14,514)	11,650
Other social housing activities									
1 st Tranche LCHO sales		1,149	(749)	(53)	347	665	(438)	(23)	204
Leaseholders		26	-	(89)	(63)	18	-	(94)	(76)
Tenant garages		112	-	-	112	125	-	-	125
Other activities		119	-	-	119	69	-	-	69
Charges for support services		-	-	(4,225)	(4,225)	-	-	(3,897)	(3,897)
		1,406	(749)	(4,367)	(3,710)	877	(438)	(4,014)	(3,575)
Activities other than social housing activities									
Shops		53	-	(3)	50	44	-	-	44
Private garages		206	-	-	206	199	-	-	199
Market and commercial rent		967	-	(149)	818	959	-	(128)	831
		1,226	-	(152)	1,074	1,202	-	(128)	1,074
Total		30,088	(749)	(19,797)	9,542	28,243	(438)	(18,656)	9,149

NOTES TO THE FINANCIAL STATEMENTS (continued)

3a. Income and expenditure from social housing activities

	Year Ended 31 March 2020					Year Ended 31 March 2019
	General Housing	Supported Housing	Low Cost Home Ownership	Care Housing	Total	
	£'000	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	20,605	2,480	355	2,910	26,350	25,447
Service charges income	151	695	31	28	905	452
Amortised government grants	161	-	10	11	182	173
Other Income	14	6	-	-	20	92
Turnover from social housing lettings	20,931	3,181	396	2,949	27,457	26,164
Management	(2,472)	(874)	(109)	(346)	(3,801)	(3,102)
Service charge costs	(77)	(197)	-	(3)	(277)	(256)
Routine maintenance	(1,687)	(3)	-	(61)	(1,751)	(1,549)
Planned maintenance	(4,731)	(152)	-	(116)	(4,999)	(5,379)
Bad debts	(82)	(4)	-	(1)	(87)	(119)
Depreciation of housing properties	(3,901)	(381)	(82)	-	(4,364)	(4,109)
Operating expenditure on social housing lettings	(12,950)	(1,611)	(191)	(527)	(15,279)	(14,514)
Operating surplus on social housing lettings	7,981	1,570	205	2,422	12,178	11,650
Void losses	(48)	(36)	(13)	-	(97)	(184)

NOTES TO THE FINANCIAL STATEMENTS (continued)

3b. Classes of accommodation in management and development

	Year Ended 31 March 2020	Year Ended 31 March 2019
	Units	Units
General housing		
- Social rent	4,548	4,492
- Affordable rent	464	487
Supported housing and housing for older people	573	573
Low cost home ownership	171	134
Total social housing units	5,756	5,686
Market rent	122	122
Other	1	1
Leasehold	189	188
Total social housing owned	6,068	5,997
Non Social Leasehold	23	21
Total owned and managed	6,091	6,018
Accommodation in development at the year end	251	164

4. Surplus on disposal of housing properties

	Year Ended 31 March 2020				Year Ended 31 March 2019
	LCHO £'000	Other £'000	RTB £'000	Total £'000	£'000
Disposal proceeds	-	673	2,063	2,736	1,649
Cost of sales	-	(142)	(401)	(543)	(487)
Selling costs	-	(2)	(7)	(9)	(22)
Net surplus on disposal of housing properties	-	529	1,655	2,184	1,140

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Interest receivable and similar income

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Interest received from current asset investments	6	13
Interest received from group undertakings	123	2
Interest receivable and similar income	129	15

6. Interest payable and financing costs

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Intragroup loans	(4,120)	-
Bank loans	(3,308)	(7,146)
Loan commission and commitment fees	(13)	(76)
Renegotiation fees	(467)	(46)
Net interest on pension liability	(319)	(294)
Interest and financing costs	(8,227)	(7,562)

7. Surplus on ordinary activities before taxation

	Note	Year Ended 31 March 2020	Year Ended 31 March 2019
		£'000	£'000
Depreciation:			
Housing assets		4,364	4,109
Other fixed assets		184	185
Amortisation:			
Grant		182	173
(Surplus) on disposal: housing properties	4	(2,184)	(1,140)
Operating lease rentals		12	12
Revaluation loss		7	516
External auditors' remuneration (incl. expenses):			
Fees for the audit of the financial statements		17	14
Fees for other services		3	5

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Tax on surplus on ordinary activities

The differences between the total tax charge and the amount calculated by applying the standard rate of UK corporation tax to surplus before tax is as follows:

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Surplus on ordinary activities before tax	3,680	3,201
Tax on surplus on ordinary activities at standard UK corporation tax rate of 19% (2019: 19%)	699	608
Effects of: Income not taxable in determining taxable surplus	(699)	(608)
Total	-	-

9. Employees

The average number of persons employed during the financial year expressed as full-time equivalents (37 hours) was:

	Year Ended 31 March 2020	Year Ended 31 March 2019
	Number	Number
Administration & management	75	99
Property services	38	45
Housing support and care	1	1
Total	114	145

Employees' costs:

	Note	Year Ended 31 March 2020	Year Ended 31 March 2019
		£'000	£'000
Wages and salaries		3,847	4,406
Social security costs		368	401
Other pension costs	19	498	511
Total		4,713	5,318

Of the total employee cost above, £812k was recharged to Housing Plus; £2,114k was recharged to Property Plus; £216k was recharged to SSHA and £463k was recharged to Care Plus.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Directors' emoluments

The Directors of the Association are its Board Members. Board Members are not members of any Sevenside pension scheme.

Board members sit on a co-terminus Homes board responsible for Sevenside Housing, South Staffordshire Housing Association and Stafford and Rural Homes. Board members are paid by The Housing Plus Group Limited for their duties and amounts are disclosed in the accounts of that entity.

The Executive Directors did not receive any emoluments in respect of their services to the Association (2019: £nil) and none (2019: none) of the Executive Directors were a member of the Association's pension schemes. The Executive Directors are all employed and remunerated through the ultimate controlling party, The Housing Plus Group Limited.

Staff who received remuneration (including benefits in kind) in excess of £60k are summarised in the following bands:

	Year Ended 31 March 2020	Year Ended 31 March 2019
	Number	Number
More than £60,000 but not more than £70,000	3	-

NOTES TO THE FINANCIAL STATEMENTS

11. Housing properties at cost

	Houses for Letting		As at 31 March 2020 Low Cost Home Ownership		
	Complete for Letting £'000	Under Construction £'000	Complete for Letting £'000	Under Construction £'000	Total £'000
COST					
At 1 April	190,098	3,137	8,406	1,367	203,008
Additions	3,642	9,561	9	5,274	18,486
Disposals	(1,677)	-	(126)	-	(1,803)
Transfers (note 12a)	6,929	(6,920)	3,943	(4,979)	(1,027)
At 31 March	198,992	5,778	12,232	1,662	218,664
LESS ACCUMULATED DEPRECIATION					
At 1 April	(35,455)	-	(348)	-	(35,803)
Depreciation charge for year	(4,115)	-	(81)	-	(4,196)
Eliminated in respect of disposals	1,052	-	-	-	1,052
At 31 March	(38,518)	-	(429)	-	(38,947)
Net book value					
At 31 March	160,474	5,778	11,803	1,662	179,717
At 1 April	154,643	3,137	8,058	1,367	167,205

Note: Included within 'Eliminated in respect of disposals' is accelerated depreciation of £168k (2019: £177k). Of the total additions, £3,524k relate to component replacements (2019: £3,425k).

NOTES TO THE FINANCIAL STATEMENTS

11a Housing properties at cost (continued)

Transfers	As at					As at 31 March 2019
	31 March 2020		31 March 2020		Total	
	Complete for Letting £'000	Under Construction £'000	Complete for Letting £'000	Under Construction £'000		
Complete properties	6,929	(6,920)	3,943	(3,952)	-	-
Write-off to income & expenditure (aborted schemes)	-	-	-	-	-	-
Transfer to current assets	-	-	-	(1,027)	(1,027)	(832)
Transfer to investment properties	-	-	-	-	-	-
Transfers	6,929	(6,920)	3,943	(4,979)	(1,027)	(832)

Charges against properties

	As at 31 March 2020	As at 31 March 2019
Number of properties on which there is a fixed charge	4,669	4,854
Number of properties not charged	1,087	832
Total number of properties	5,756	5,686

Capitalised interest

	As at 31 March 2020	As at 31 March 2019
	£'000	£'000
Interest capitalised during the year	-	-
Interest capitalised to date	408	408
Total interest capitalised	408	408
Rate used for capitalisation	5%	5%

NOTES TO THE FINANCIAL STATEMENTS

11a Housing properties at cost (continued)

Social Housing Grant and other grants

The Association has received government grants in order to acquire and develop its housing properties. Grants are amortised through the Statement of Comprehensive Income over the useful economic life of the structure of the property. Any unamortised grant is held as deferred income. A breakdown of this grant is shown below:

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Deferred capital grant at 1 April	16,422	15,649
Grants received during the year	140	634
Grants recycled from/(to) the disposal proceeds fund	-	40
Transfers from reserves	450	272
Released to income during the year	(182)	(173)
Deferred capital grant at 31 March	16,830	16,422

Housing properties book value, net of depreciation

	As at 31 March 2020	As at 31 March 2019
	£'000	£'000
Freehold land and buildings	179,717	167,205
Long leasehold land and buildings	-	-
Total	179,717	167,205

NOTES TO THE FINANCIAL STATEMENTS (continued)

11b Other tangible fixed assets

	31 March 2020				
	Fixtures, Fittings, Tools & Equipment				
	Furniture & Equipment	Computer Equipment & Telephones	Vehicles	Land & Buildings	Total
	£000	£000	£000	£000	£000
COST					
At 1 April	924	2,560	59	2,870	6,413
Reclassification	-	-	-	-	-
Additions	64	-	-	6	70
At 31 March	<u>988</u>	<u>2,560</u>	<u>59</u>	<u>2,876</u>	<u>6,483</u>
Accumulated depreciation & impairment					
Depreciation at 1 April	(763)	(2,447)	(43)	(471)	(3,724)
Depreciation charge for year	(60)	(75)	(4)	(45)	(184)
At 31 March	<u>(823)</u>	<u>(2,522)</u>	<u>(47)</u>	<u>(516)</u>	<u>(3,908)</u>
Net book value					
At 31 March	<u>165</u>	<u>38</u>	<u>12</u>	<u>2,360</u>	<u>2,575</u>
At 1 April	160	113	16	2,400	2,689

There is no charge on any of these assets. All land held for other property, plant and equipment is owned freehold.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11c. Investment properties

	As at 31 March 2020	As at 31 March 2019
	£'000	£'000
Balance at 1 April	14,162	14,821
Additions	-	-
Transfers to other tenures	-	-
Disposals	-	(143)
Net (loss) from fair value adjustments	(7)	(516)
Balance at 31 March	14,155	14,162
Historical net book value	15,495	15,495

All investment properties were valued as at 31st March 2020 using the valuation methodology – market value subject to tenancies (MV-STT). The valuations were performed by independent valuers with recognised and relevant qualifications (Jones Lang LaSalle). There are no restrictions on the investment property and there are no contractual obligations to purchase, construct or develop investment property.

Jones Lang LaSalle's valuation report as at 31st March 2020 includes the following statement regarding the material valuation uncertainty due to Novel Coronavirus (COVID-19).

'The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation is therefore reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this portfolio under frequent review.

For the avoidance of doubt, the inclusion of the "material valuation uncertainty" declaration above does not mean that the valuation cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.'

NOTES TO THE FINANCIAL STATEMENTS (continued)

11d. Investment in group undertakings

The Association has investments in the following subsidiary undertakings, both incorporated in England and Wales, which principally affected the surpluses or net assets of the Association.

	Principal activity	Holding	%	Profit/(loss) for the year ended 31 March 2020	Capital and reserves at 31 March 2020
				£'000	£'000
Severn Homes Ltd	Developing and selling properties for outright sale	Equity shares	100%	(497)	(546)

12. Stocks

	As at 31 March 2020	As at 31 March 2019
	£'000	£'000
LCHO completed properties	1,001	352
LCHO properties under construction	544	330
Total low cost home ownership	1,545	682
Other stock	-	-
Total stock	1,545	682

Stock is held at the lower of actual cost and estimated selling price less costs to complete and sell. There have been no impairments in the year (2019: none).

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Trade and other debtors

	As at 31 March 2020	As at 31 March 2019
	£'000	£'000
Due within one year		
Rent receivable	576	565
Less: Provision for bad and doubtful debts	(102)	(101)
	474	464
Amounts due from group undertakings	321	2,809
Other debtors	422	409
Less: Provision for bad and doubtful debts	-	(10)
	1,217	3,672
Prepayments & accrued income	186	114
Total due within one year	1,403	3,786
Due after more than one year	4,350	1,850
Total debtors	5,753	5,636

14. Creditors: Amounts falling due within one year

	As at 31 March 2020	As at 31 March 2019
	£'000	£'000
Loans and borrowings	317	1,308
Trade creditors	87	36
Rents and service charges received in advance	1,007	1,153
Amounts owed to group undertakings	1,536	1,269
Taxation and social security	121	98
Other creditors	22	65
Deferred grant income	633	758
Accruals and deferred income	925	856
Accrued loan interest	-	1,066
Employees	58	65
Total Creditors: Amounts falling due within one year	4,706	6,674

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Creditors: Amounts falling due after more than one year

	As at 31 March 2020	As at 31 March 2019
	£'000	£'000
Loans and borrowings	8,533	141,350
Loans and borrowings - intragroup	145,500	-
Capitalised loan arrangement fees	(134)	(134)
Deferred capital grants	16,197	15,678
Other designated funds	277	276
Total Creditors: Amounts falling due after one year	170,373	157,170

Maturity of debt

	Intragroup Bank Loans 2020	Other Loans 2020	Total 2020
	£'000	£'000	£'000
In one year or less	-	317	317
In more than one year but not more than two years	1,650	325	1,975
In more than one year but not more than five years	26,850	1,031	27,881
In more than five years	117,000	7,177	124,177
	145,500	8,850	154,350

	Bank Loans 2019	Other Loans 2019	Total 2019
	£'000	£'000	£'000
In one year or less	1,000	308	1,308
In more than one year but not more than two years	2,000	317	2,317
In more than one year but not more than five years	16,500	1,003	17,503
In more than five years	114,000	7,530	121,530
	133,500	9,158	142,658

The amounts repayable in relation to the bank loans are inter-company creditors with the amounts owed to fellow subsidiary Housing Plus Group Finance Limited. Housing Plus Group Finance Limited recognises equivalent inter-company debtors within its accounts and the third party liabilities to repay the loans when they fall due.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Creditors: Amounts falling due after more than one year (continued)

Maturity of debt (continued)

The amount repayable in relation to other loans is in relation to a £6.9million and £1.9million loan facility held with Shropshire Council. These loans are repayable in instalments, with the final scheduled loan payments due in August 2041 and June 2039 respectively.

Security, terms of repayment and interest rates

On 22 August 2019, Sevenside Housing redeemed an outstanding loan facility of £101.5 million with Nationwide Building Society. On the same day, Housing Plus Group Finance Limited entered in to a new loan facility of £222.7 million with Nationwide Building Society. The loan facility is secured by properties owned by South Staffordshire Housing Association and Sevenside Housing. On completion, £101.5 million of the newly arranged loan facility was on lent to Sevenside Housing by Housing Plus Group Finance Limited. A further £9 million was on lent to Sevenside during the financial year.

The final scheduled loan repayment is due in March 2045, £155 million of the loan facility is repayable after 5 years. As at 31 March 2020, Housing Plus Group Finance Limited had £158.5 million of loans on a fixed rate. The fixed rates of interest range between 4.76% and 6.97%. As at 31 March 2020, Housing Plus Group Finance Limited had £37.4 million of loans on an index linked or variable interest rate.

On 31 October 2019, Sevenside Housing redeemed a purchase agreement with Canada Life Investments Ltd for £35 million 4.54% Senior Secured Guaranteed Notes due 9 September 2048. On the same day, Housing Plus Group Finance Limited entered in to a purchase agreement with Canada Life Investments Ltd for £35 million 4.54% Senior Secured Guaranteed Notes due 9 September 2048. On completion, £35 million was on-lent to Sevenside Housing by Housing Plus Group Finance Limited.

The Canada Life loan is secured against properties that Sevenside owns. It has a fixed interest rate of 4.54%.

The Shropshire Council loans are secured against properties that Sevenside owns. The interest rates are fixed at 4.32% and 2.3%.

At 31 March 2020 Sevenside had undrawn loan facilities of £nil (2019: £5.5million).

Sevenside has access to £31.5 million of undrawn borrowing facilities within Housing Plus Group Finance Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Financial instruments

	Note	Year Ended 31 March 2020	Year Ended 31 March 2019
		£'000	£'000
Financial assets that are debt instruments measured at amortised cost			
Rent & service charges receivable	13	474	464
Amounts owed to group undertakings	13	321	2,809
Other debtors	13	422	409
Investments		-	200
Cash and cash equivalents		2,757	995
TOTAL FINANCIAL ASSETS		3,974	4,877
Financial liabilities measured at amortised cost			
Loans	14,15	(154,350)	(142,658)
Trade creditors	14	(87)	(36)
Amounts due to group undertakings		(1,536)	(1,269)
Accruals	14	(924)	(856)
Other creditors	14	(201)	(1,294)
TOTAL FINANCIAL LIABILITIES		(157,098)	(146,113)

Sevenside's financial instruments are all currently classified as basic and measured at amortised cost.

17. Capital commitments

	As at 31 March 2020	As at 31 March 2019
	£'000	£'000
Expenditure contracted but not provided in the financial statements	25,951	21,726
Expenditure authorised by the Board but not contracted	20,400	28,303
Total capital commitments	46,351	50,029

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Capital commitments (continued)

The following amounts describe the way Severnside funds development:

	As at 31 March 2020	As at 31 March 2019
	£'000	£'000
Operating surpluses	35,654	37,379
SHG	3,096	4,657
Other grant funding	-	-
Forecast sales	7,601	7,993
Total gross expenditure	46,351	50,029

18. Leases

Operating leases

The Association held vehicles and lone working safety devices on cancellable operating leases. At 31 March 2020 the total of future minimum lease payments under non cancellable operating leases for each of the following periods:

	As at 31 March 2020	As at 31 March 2019
	£'000	£'000
Leases for equipment:		
Not later than one year	12	12
Later than one year and not later than five years	7	19
Total	19	31

The expenditure charged in the Statement of Comprehensive Income during the year in relation to operating lease payments was £12k (2019: £12k).

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Pension

Shropshire County Council Scheme

Sevenside participates in the Local Government Pension Scheme which is a multi employer defined benefit Scheme, is funded and is contracted out of the state scheme.

The disclosures necessary in respect of FRS102 are shown in various tables below. The actuary has estimated that the net pension asset/liability as at 31 March 2020 is a liability of £10,187,000 (2019: £13,675,000).

Assumptions as at	31 Mar 2020 %p.a.	31 Mar 2019 %p.a.
Salary increases	2.25%	3.8%
Pension increases	1.75%	2.3%
Discount Rate	2.3%	2.4%

The life expectancy is based on the Fund's VitaCurves and based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.5 years	24.6 years
Future Pensioners*	23.4 years	26.0 years

* Figures assume members aged 45 as at the last formal valuation date.

Categories of plan assets as a % of total plan assets	Assets at 31 Mar 2020 %	Assets at 31 Mar 2019 %
Equities	50	51
Bonds	23	16
Property	4	5
Alternatives	22	22
Cash	1	6

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Pension (continued)

Net pension liability as at	31 Mar 2020	31 Mar 2019
	£'000	£'000
Fair value of employer assets	36,477	38,288
Present value of funded obligations	(46,402)	(51,676)
Net (under)funding in funded plans	(9,925)	(13,388)
Present value of unfunded liabilities	(262)	(287)
Net pension (liability)	(10,187)	(13,675)

	Year to 31 Mar 2020	Year to 31 Mar 2019
	£'000	£'000
Amount charged to operating surplus		
Current service cost	(701)	(710)
Past service cost	(121)	(214)
Administration expense	(13)	(14)
Effect of curtailments	(7)	-
Total operating charge	(842)	(938)
Amount charged to financing costs		
Interest income on plan assets	916	949
Interest cost on defined benefit obligation	(1,235)	(1,243)
Losses on curtailments and settlements	-	-
Total net interest	(319)	(294)
Total defined benefit cost recognised in surplus for the year	(1,161)	(1,232)

Re-measurements recognised in other comprehensive income	Year to 31 Mar 2020	Year to 31 Mar 2019
	£'000	£'000
Change in financial assumptions	6,405	(2,669)
Change in demographic assumptions	-	-
Return on assets (excluding amounts included in net interest)	(2,449)	1,112
Total re-measurements recognised in other comprehensive income	3,956	(1,557)

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Pension (continued)

Reconciliation of defined benefit obligation	Year to 31 Mar 2020	Year to 31 Mar 2019
	£'000	£'000
Opening defined benefit obligation	51,963	48,542
Current service cost	701	710
Interest cost	1,235	1,243
Contributions from members	139	149
Past service cost	121	214
Actuarial (gains)/losses	(6,405)	2,669
Result on curtailments	7	0
Estimated benefits paid	(1,097)	(1,564)
Closing defined benefit obligation	46,664	51,963

Reconciliation of fair value of employer assets	Year to 31 Mar 2020	Year to 31 Mar 2019
	£'000	£'000
Opening fair value of employer assets	38,288	36,791
Expected return on assets	(2,449)	1,112
Interest income on plan assets	916	949
Contributions from members	139	149
Contributions from employer	693	865
Administration expenses	(13)	(14)
Benefits paid	(1,097)	(1,564)
Closing fair value of employer assets	36,477	38,288

History of gains and losses	Year to 31 Mar 2020	Year to 31 Mar 2019
	£'000	£'000
Fair value of employer assets	36,477	38,288
Present value of defined benefit obligations	(46,664)	(51,963)
Deficit	(10,187)	(13,675)

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension liability

The Association had the following liabilities during the year:

	Long term employee benefits - LGPS
	£'000
At 1 April 2019	(13,675)
Additions dealt within surplus	(842)
(Reductions) dealt within other comprehensive income	3,956
Employer contributions	693
Interest costs	(319)
At 31 March 2020	(10,187)

Pension liability – LGPS

The LGPS pension scheme is a multi employer defined benefit scheme. Each year the actuary values the assets and liabilities of the scheme using a set of assumptions. Changes in assumptions and performance of the assets/liabilities in the year means that the present value of the defined benefit obligation is subject to uncertainty.

The Association acknowledges that a ruling has been made regarding age discrimination arising from public sector pension scheme transition arrangements. Court of Appeal judgements were made in cases affecting judges pensions (e.g. McCloud) and firefighter pensions (e.g. Sergeant) which had previously been considered by employment tribunals. The rulings have implications for the LGPS, Police and Fire schemes since similar reforms were implemented.

The final situation in terms of employer pension liabilities and financial impact is not clear, since the government may appeal and any remediation process, including cost cap considerations, may affect the resolution and financial impact for entities. Timescales for the resolution of this matter may be lengthy.

The Association has sought advice from the scheme actuary to assess the potential impact the judgement could have upon the scheme should the ruling apply to the scheme. As this figure is not deemed to be material to the financial statements, no adjustment has been made.

21. Restricted reserves

Restricted reserves constitute surpluses accruing from sales of LSVT units under the Right to Buy. The receipts are to be used solely for the provision of new housing, subject to approval by the relevant local authority.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Related party transactions

There are no Board members that are also Tenants of the Association (2019: nil). On the Stafford & Rural Homes (SARH) merger with Housing Plus, a SARH tenant, Craig Royall, became a member of the SSHA, Sevenside and SARH board of management.

The Board has no (2019: nil) members who are also councillors. The total compensation for the Board of Sevenside in 2019/20 was £nil as all members are now paid by Housing Plus (2018/19: £nil).

During the financial year Sevenside purchased services in the ordinary course of business from Housing Plus, an ultimate Parent, at a total cost of £1,115,923 (2019: £8,476,415) and provided services at a cost of £914,347 (2019: £1,150,436). At the year end Sevenside owed £180,508 (2019: £200,687) and was owed £326,582 (2019: £648,013) by Housing Plus.

Sevenside purchased services in the ordinary course of business from South Staffordshire Housing Association, at a cost of £1,503,916 (2019: £388,471), and provided services at a cost of £513,406 (2019: £190,909). At the year end Sevenside owed SSHA £44,989 (2019: £343,558) and was owed £15,861 (2019: £5,605).

Sevenside provided services in the ordinary course of business to Property Plus (Midlands) Limited at a cost of £2,479,528 (2019: £2,324,128), and purchased services in the ordinary course of business at a cost of £8,760,884 (2019: £7,870,949). At the year end Sevenside owed £453,434 (2019: £724,904) and was owed £139,160 (2019: £83,756) by Property Plus.

Sevenside purchased services from Severn Homes at a cost of £nil (2019: £11,655) and provided services at a cost of £nil (2019: £262,828). On 26 March 2019 Sevenside granted a loan of £3,850,000 to Severn Homes and on 30 March 2020 an additional £500,000 loan. Interest was received on the loan at LIBOR plus a margin of 3%, totalling £122,992 (2019: £2,427). At the year end Sevenside was owed £4,397,777 (2019: £3,876,268) by Severn Homes and owed £nil (2019: £nil).

Sevenside provided services to Care Plus at a cost of £600,545 during the year (2019: £624,124) and purchased services in the ordinary course of business at a cost of £568,589 (2019: £830,907). At the year end Sevenside was owed £37,477 at the year end (2019: £45,420) and owed £nil (2019: £nil).

Sevenside provided services to SARH at a cost of £49,066 during the year (2019: £nil) and purchased services in the ordinary course of business at a cost of £nil (2019: £nil). At the year end Sevenside was owed £49,066 at the year end (2019: £nil) and owed £nil (2019: £nil).

Sevenside provided services to Sevenside Community Association during the year at a cost of £nil (2019: £100). On 19th September 2019, an instrument of dissolution was served to the FCA in respect of Sevenside Community Association to wind up the entity. On dissolution, outstanding cash and reserve balances of £59k were paid to Sevenside Housing. An investment of £nil was outstanding at the year end (2019: £200,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Related party transactions (continued)

Sevenside received loans from Housing Plus Group Finance Limited during the year of £145,500,000 (2019: £nil). At the year end, Sevenside Housing owed £145,500,000 to Housing Plus Group Finance Limited (2019: £nil).

During the year, Sevenside Housing was recharged interest and other financing costs by Housing Plus Group Finance Limited at a total cost of £4,119,837 (2019: £nil). At 31 March 2020, Sevenside Housing owed Housing Plus Group Finance Limited £1,152,249 (2019:£nil) in respect of interest and other financing costs.

All related party transactions within the group are provided on an arms length basis. Amounts owed by and to the Association are disclosed in notes 13, 14 and 15. These amounts are related to intragroup balances both in payables and receivables.

23. Group companies

The ultimate parent undertaking and controlling party is the Housing Plus Group Limited, a registered social landlord (Registered Community Benefit Society No. 30224R). The consolidated financial statements of the Housing Plus Group Limited are available from the Company Secretary, Housing Plus Group Limited, Acton Court, Acton Gate, Stafford, ST18 9AP. The Group exercises control over Sevenside and other subsidiaries through regular Board meetings. The Group Board members include the Chair of each of the subsidiary Boards.

24. Post balance sheet event

The outbreak of the Covid-19 pandemic is an in-year event reflected in the financial statements to 31 March 2020. The pandemic has impacted on the operations of the entity and this is expected to continue into the 2020/21 financial year. From a financial perspective activity has reduced due to lockdown which may reduce income however, as detailed in note 2a, the Board members are satisfied that the Association is a going concern.