gentoo

Great homes
Strong communities
Inspired people
for Sunderland

Financial Statement

19-20

Contents

Board members, executive directors and advisors

Board members, executive directors and advisors

Gentoo Group Board
Keith Loraine, OBE (Chair)
Emily Cox, MBE
Michael Essl
(appointed 15 May 2019, resigned 10 June 2020)
Alison Fellows
Leslie Herbert
Carol Long
Claire Long (appointed 1 May 2020)
David Murtagh
Debra Waller (appointed 23 July 2020)
Dianne Sharp (appointed 1 May 2020)
Brian Spears
Philip Tye
Chris Watson
Colin Blakey (resigned 29 January 2020)
Colin English (resigned 15 May 2019)
Frank Nicholson (resigned 29 January 2020)

Executive directors
Nigel Wilson (Chief Executive Officer)
Louise Bassett (Executive Director of Corporate Services)
Peter Lenehan (Executive Director of Finance)
Michelle Meldrum
(Executive Director of Operations – resigned 31 July 2020)
Graham Gowland
(Executive Director of Property – resigned 31 January 2020)

Independent auditor
KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Principal bankers
National Westminster Bank plc
Sunderland City Branch
52 Fawcett Street
Sunderland
SR1 1SB

Registered office
Emperor House
2 Emperor Way
Doxford International Business Park
Sunderland
SR3 3XR

Strategic report

About Gentoo

Principal activities
Our principal activities are the provision of social and affordable homes to those on low incomes who have a housing need, and the wider regeneration of our communities. We also deliver new build housing development for both sale and rent.

Group structure
Gentoo Group Limited is a charitable Community Benefit Society registered with the Financial Conduct Authority (FCA) and a not-for-profit Private Registered Provider (PRP) regulated by the Regulator of Social Housing (RSH). The Group has exempt charitable status and is treated as charitable by HM Revenue and Customs (reference number EW41411) and is also a Public Benefit Entity.

Our vision
Great Homes, Strong Communities and Inspired People

Our values
Do the right thing
Make a difference
Work together
Keep learning
Give all you've got

Our vision and values are supported by the following strategic aims:

- Deliver outstanding service to customers so that people and communities thrive
- Actively manage our assets and develop new homes to meet local needs
- Support our people to deliver our vision and live our values
- Work with others to build effective partnerships
- Be well governed and financially strong

Our corporate strategy

Our business strategy centres around five strategic aims and our five Ps:

Place

Provide homes and services that enable our customers and communities to succeed

People

Invest in people and communities to help realise opportunities and release potential

Perform

Be well governed and financially resilient, operating efficiently and responsibly, investing wisely to fulfil our social purpose

Partner

Work with others to influence and generate sustainable change

Pride

Harness the collective passion and energy of our people to support the city

Operating review

The Group is operating in a highly complex and volatile environment. The initial impact of the COVID-19 pandemic was only just being felt in mid-March 2020 as the Group's year-end approached. In common with peers and organisations across the country the Group temporarily paused much of its core services as the national lockdown took effect.

The Group's operating fundamentals remain strong, with cash collection, despite the continuing challenges of increased Universal Credit take up, holding up well. Void management, landlord compliance and non-emergency repairs and maintenance delivery have, however, all inevitably been impacted by the pandemic. The Group Board's decision in May to resume and extend delivery of its core services was made on the back of a detailed Recovery Plan that prioritises the health, safety and wellbeing of our tenants, residents and colleagues. The implementation of the Recovery Plan will lead to a progressive clearance of the backlogs that have built up across our operations in April and May.

Pre-COVID, the 2019/20 financial year has seen the Group progress its investment programme in existing stock with over £32m in enhancement expenditure. Ongoing expenditure on existing stock, for example catch up investment in installing double glazed windows to the remaining one third of our housing stock, will remain a key priority alongside our ongoing work on our landlord compliance responsibilities.

We have designed and recruited a new affordable housing team with start on site commencing for over 100 units of our affordable programme of circa 900 units by March 2024. We aim to increase this programme further in the coming years. The Group's housebuilder arm, Gentoo Homes, delivered another successful year, contributing profits to support the Group's core activities. The temporary cessation of the UK housing market represents a profound challenge the Gentoo Homes business and the appropriate retrenchment activities are well underway to ensure the company adapts and responds to a changed market.

We have completed the first phase of the overhaul of the Group's funding arrangements, repaying one funder via an increased facility with another, strengthening our medium-term liquidity and simplifying the path to further modernisation of our funding position. Internally our modernisation agenda has gathered pace with increased flexible working and other employee benefits features of our people strategy.

Gentoo's size and purpose makes it one of the anchor institutions of the City of Sunderland. We continue to work closely with all our partners, in particular Sunderland City Council, whose City Plan to create a vibrant, dynamic and healthy city complements our own vision, values and objectives.

In common with the rest of the sector, reacting to the pandemic has inevitably impacted on our wider plans for the current year and beyond. Agility and flexibility in the wake of a new operating landscape are pre-requisites and regular stress testing and associated mitigating actions are staples of our business planning work. Prior to the crisis the Group was in the process of reviewing and refreshing its corporate strategic aims. We will keep our plans under review as the effects of the pandemic on the housing sector, the economy and our communities becomes clear.

Financial review

Financial performance
Detailed financial results for the year are highlighted in the Consolidated Statement of Comprehensive Income on page 42 and the supporting notes to the financial statements on pages 52 to 91. The table below summarises these results:

	2019/20 £m	2018/19 £m	2017/18 £m
Turnover	172.2	177.1	182.3
Cost of sales and operating expenditure	(145.3)	(142.7)	(137.0)
Other operating income	0.2	0.4	0.2
Surplus / (deficit) on disposal of tangible assets	1.5	2.1	0.9
Operating surplus	**28.6**	**36.9**	**46.4**
Deficit on disposal of discontinued operations	-	-	(14.0)
Net interest charges	(22.2)	(23.2)	(24.2)
Revaluation of fixed asset investments	0.6	0.2	(0.8)
Fair value adjustment for investment property	(0.6)	(0.5)	(0.5)
(Deficit) / surplus on disposal of investment properties	(0.1)	0.1	-
Fair value adjustment	(0.1)	(0.1)	-
Taxation	(0.2)	(0.2)	(0.2)
Surplus for the year	**6.0**	**13.2**	**6.7**

Turnover has reduced during the year by £4.9m. £4.4m of this reduction related to social housing lettings income, which has been impacted by the fourth and final year of rent reduction and a 52 week rental income period compared to 53 weeks in 2018/19.

Operating expenditure of £145.3m has increased by £2.6m, or £8.4m after adjusting for last year's exceptional pension cost, reflecting planned increases in maintenance, major works and landlord compliance expenditure. Property and WIP impairments along with reduced Right to Buy and Right to Acquire receipts have also impacted upon the current year's operating surplus. The core business continues to perform well, with strong income collection and operational performance.

Financial position

The detailed Consolidated Statement of Financial Position is on page 44. The table below summarises the year-end financial position:

	2019/20 £m	2018/19 £m	2017/18 £m
Net book value of tangible assets – housing properties	1,023.1	1,009.7	1,009.9
Other tangible fixed assets and investments	58.4	62.5	64.2
Net current assets	69.5	67.0	63.3
Debtors due after one year	4.1	5.0	6.4
Total assets less current liabilities	**1,155.1**	**1,144.2**	**1,143.8**
Creditors due after one year	(558.2)	(553.8)	(573.1)
Pension liability	-	(11.5)	(17.8)
Net assets	**596.9**	**578.9**	**552.9**
Revaluation reserve	156.1	158.1	161.6
Revenue reserve	168.4	141.3	104.5
Other reserve	272.4	279.5	286.8
	596.9	**578.9**	**552.9**

Housing property assets have increased by £13.4m. This reflects the Group's priority of enhancing existing and developing new properties with £44.5m invested during the year. This investment in housing properties is offset in part by depreciation of £26.6m and disposals of £4.6m.

Capital structure and treasury activity

As at 31 March 2020 the Group's total borrowing facilities, excluding transaction fees, were £574.5m (2019: £589.1m). Of this, £539.2m (2019: £540.0m) was drawn with the balance of £35.3m undrawn and available to fund the Group's activities. These facilities are secured by specific charges on the social housing assets of the Group.

The Group's Treasury Management Policy objective is to ensure the Group has access to sufficient liquidity to meet all liabilities as they fall due. The Policy seeks to maintain a balance between variable rate and fixed rate debt. Embedded fixed rate loans help manage the Group's exposure to adverse future interest rate fluctuations. The proportion of fixed rate debt at 31 March 2020 was 66% (2019: 67%).

The Group's lending arrangements require compliance with a range of financial and non-financial covenants. Performance against key loan covenants is reported to Board on a quarterly basis. Recent reports confirm ongoing compliance by the Group with these covenants.

The Group had cash balances of £36m (2019: £21.1m) comprising cash and cash equivalents of £31.0m (2019: £16.1m) and an unutilised overdraft of £5m (2019: £5m) at 31 March 2020.

The Group had available liquidity at 31 March 2020 of £71.3m, consisting of revolving credit facilities of £35.3m and cash balances and overdraft of £36.0m.

Financial risk management

The Treasury Management Policy reflects good practice and is approved by Board. The Policy addresses key financial risks, including credit, liquidity and interest rate risks.

Credit risk

We limit the amount invested with individual counterparties to ensure that the credit risk on investments is spread over a large number of institutions. All institutions must meet high credit criteria and are approved by the Executive Director of Finance. The Policy includes a list of approved investment instruments.

Liquidity risk

We have sufficient committed loan facilities in place to deliver the first 2 years of our business plan. These facilities are held with a range of high calibre lenders with the duration of loans structured to minimise any re-financing risk. We have sufficient capacity to access additional borrowing to meet the requirements of our Business Plan.

Interest rate risk

We borrow at both fixed and variable interest rates. Prudent assumptions are used when considering our mix of fixed and variable debt. Our fixed rate debt includes fixed rate loans embedded within our loan agreements. These basic embedded fixed rate loans are not subject to cash calls required by stand-alone swaps. Our debt requirements are reviewed at least annually, following the approval of the Business Plan.

Cash

The Group's policy is not to hold significant cash balances, but to ensure that loan facilities are in place to fund future requirements. Short term cash balances are placed on short term deposits at competitive rates, however given the timing of the COVID-19 lockdown situation and to ensure the Group had sufficient liquidity to cover its short-term requirement cash balances were higher than those normally held.

During the year the Group generated cash of £72.3m (2019: £67.8m) from operating activities. Net cash of £33.0m (2019: £21.4m) was invested in both existing and new housing stock with net loans of £0.8m (2019: £17.5m) being repaid in the year.

Value for money

Our approach to value for money

The Group's approach to value for money (VfM) aims to optimise the use of its assets and resources to inspire people and build and maintain great homes in strong communities. This approach reflects our understanding of the balance to be struck between economy, efficiency and effectiveness. Our monthly and quarterly performance reporting is based upon targets agreed with Board annually. Understanding how our costs and performance compares to others is important and helps to shape our approach and priorities.

Our approach to VfM links to our strategic aims as follows:

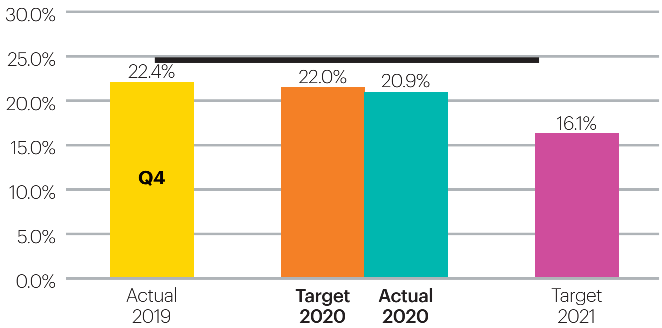
- Ensuring our services to our tenants represent and deliver VfM;
- Optimising the performance of our housing assets;
- Ensuring the performance of our people ensures individual and organisational effectiveness;
- Unlocking capacity and value by working in partnership with others; and
- Ensuring that financial resources and capacity are maximised to deliver the Group's mission and objectives.

VFM metrics

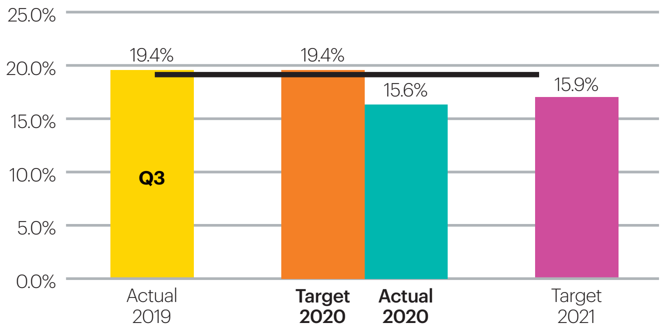
Gentoo's previous corporate strategy involved diversification from its core housing association business into a range of commercial ventures, an approach that encountered limited success. This strategy has been reversed, with divestment from most commercial activities and a renewed focus on the core activities of a provider of affordable housing. The past activities of the Group clearly shape its current position with respect to some of its VfM metrics. Throughout this period the Group's core landlord service has performed well with strong operational kpi's and high tenant satisfaction.

Ongoing catch up expenditure on stock investment and a small, but growing, programme of affordable housing development demonstrate the impact of past choices on the Group's current position. This context is important to understanding the Group's VfM metrics. The Group is confident that the direction of travel for its key VfM metrics is positive.

Operating margin % (social housing)



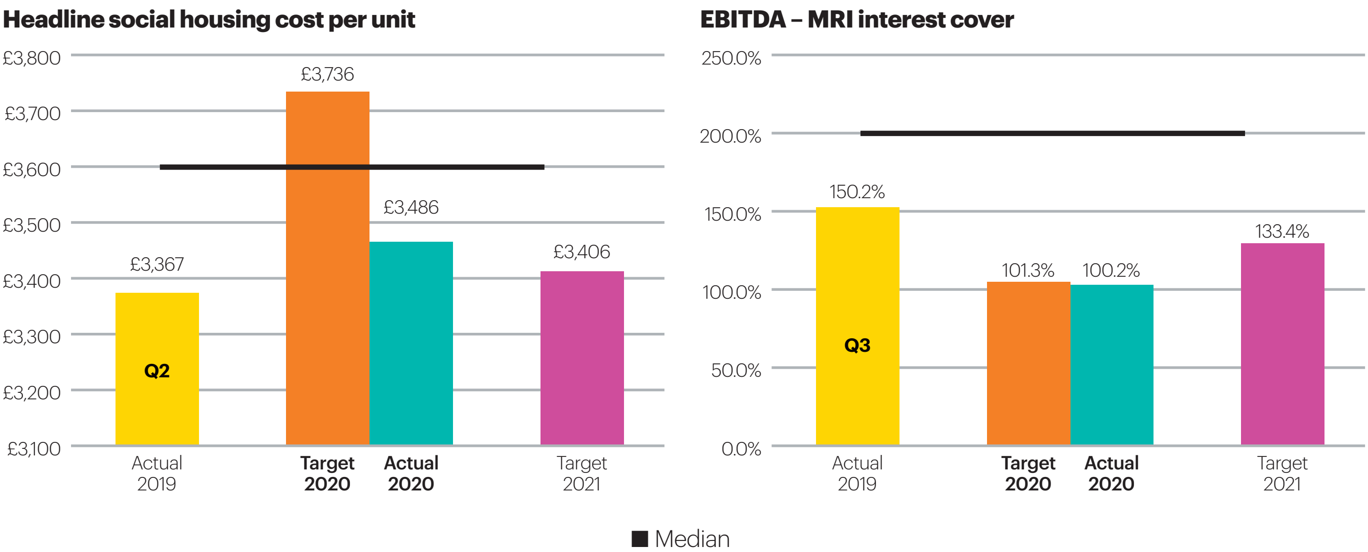
Operating margin (%) (Overall)



■ Median

Operating margin shows the profitability and efficiency of an organisation before deduction of items such as interest costs.

In common with the sector our operating margins have been pressured in recent years by rent reduction and increased maintenance and major repairs expenditure. 2019/20 operating margins have been additionally impacted by impairments to property and work in progress and reduced Right to Buy and Right to Acquire surpluses. The overall operating margin is also impacted by lower margins from the Group's non-social housing activities, namely the Group's housebuilding arm, Gentoo Homes. Targets for 2020/21 reflect the impact of COVID-19 on some areas of our business. We will continue to review the operating models of our social and non-social housing activities and identify opportunities to improve revenues and ensure our business is operating efficiently.



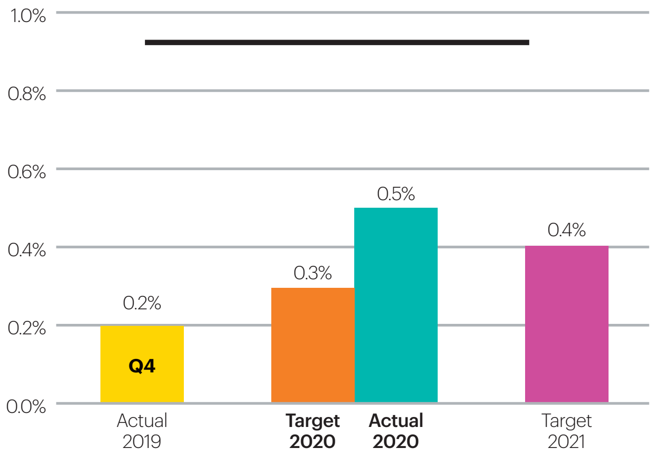
The headline social housing cost per unit (SHCPU) includes management costs, routine maintenance costs, planned maintenance costs, capitalised repairs costs, charges for support services and other social housing costs. These costs are then divided by the number of units owned or managed.

The Group's SHCPU remains competitive with our peer group. SHCPU for 2019/20 has increased slightly compared to last year, but is significantly below the current year target. The 2019/20 target envisaged a significant increase in major repairs activity. This target was not achieved due to delays in contractor delivery and reprioritisation of some programmes of work to focus on landlord compliance priorities.

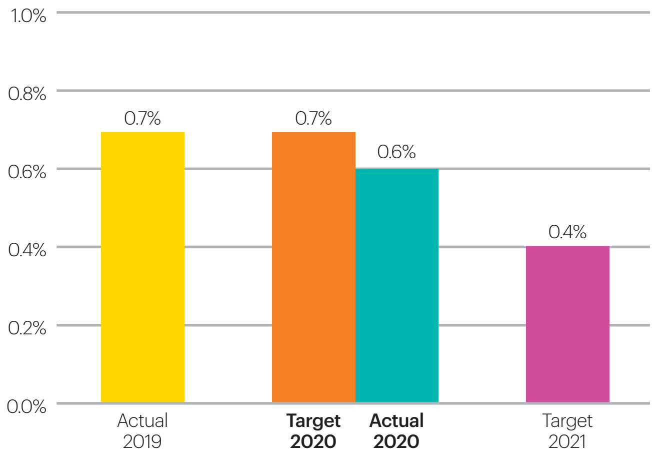
EBITDA-MRI is an abbreviation for earnings before interest, tax, depreciation, amortisation, with major repairs included. It is a key indicator of liquidity and investment capacity, measuring the extent to which the Group's cash surplus exceeds its interest costs.

The Group's 2019/20 EBITDA-MRI interest cover is low compared to our peers, reflecting the Group being in the midst of extensive catch-up investment in existing stock, including a double-glazing replacement programme for 9,000 properties. Actual performance in 2019/20 saw additional cost pressures, described elsewhere in this report, offset by underspends on major repairs activity. EBITDA-MRI IC levels recover significantly in 2020/21 and future years as current stock investment levels begins to take a reduced share of the Group's resources. The Group's efficiency objectives will focus on achieving sustainable EBITDA-MRI IC levels akin to those of its peer group.

New supply delivered - social %



New supply delivered - non-social %



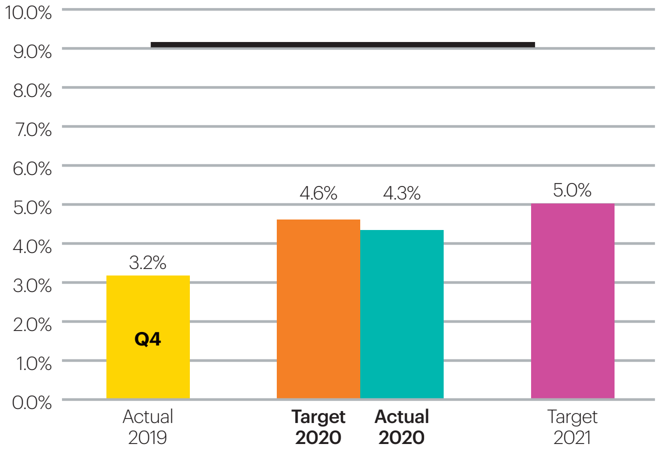
■ Median

The new supply metrics show the number of new social and non-social housing units acquired or developed during the year as a percentage of total social and non-social housing units owned at the year-end.

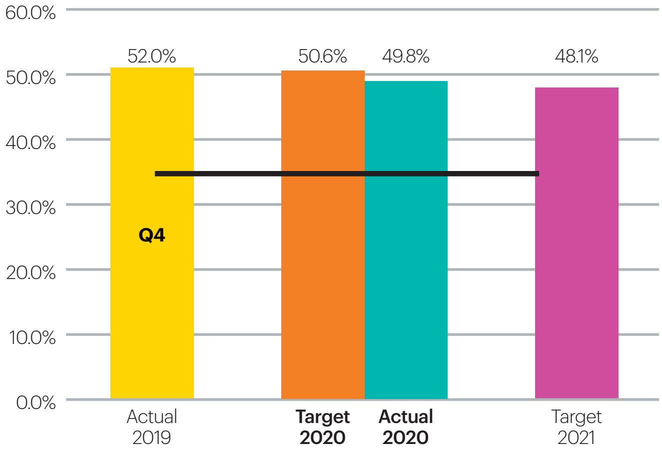
The Group's primary focus for new supply is the expansion of its affordable homes programme. New supply of social units delivered in the year represent 0.5% of our total social stock, with 153 units acquired or developed in the year. Our affordable development team is now established and is embarking on a programme to deliver a five year programme of circa 900 units by March 2024.

New supply of non-social units delivered in the year represent 0.6% of our total social stock, with 173 properties sold on the open market. This scale of non-social supply reflects the performance of our well-established and successful housebuilder, Gentoo Homes. The profits from Gentoo Homes are utilised by the Group to support its core activities. This level of delivery is likely to reduce in the coming years as the Gentoo Homes business adapts and retrenches in the wake of the challenge to the housing market arising from COVID-19.

Reinvestment %



Gearing %



■ Median

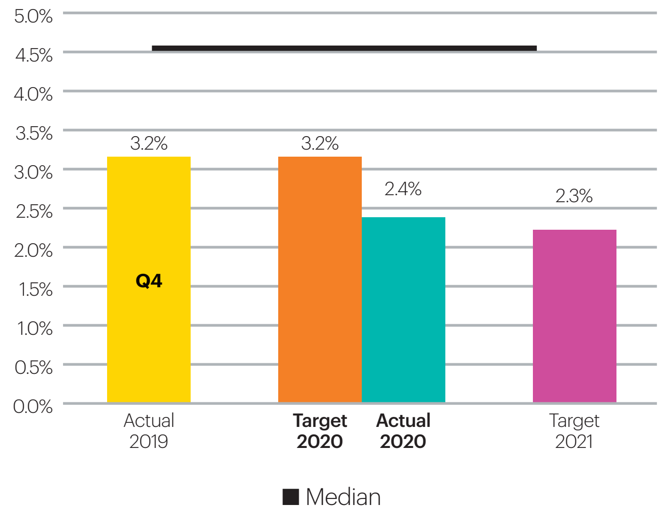
The reinvestment metric shows investment in properties (existing stock and new supply) as a percentage of the value of total properties owned.

Our reinvestment performance has increased each year from a low base, reflecting the mobilisation of the investment plan programme and the increased affordable homes programme. The reinvestment % increase in the year reflects £44.5m invested in existing stock (£32.8m) and new supply (£11.7m). We failed to meet our 2019/20 target due to delays and reprioritisation of some programmes of work to focus on landlord compliance.

Reinvestment levels will continue to increase as we continue to address the needs of our existing stock whilst ramping up delivery of our affordable development programme with the team to deliver this now established.

The gearing metric measures how much debt an organisation holds as a percentage of its assets, demonstrating the degree of its reliance on debt finance. Our gearing levels are relatively high compared to our peers, in part reflecting the funding of the Group's historic diversification and commercial acquisitions.

Return on capital employed %



Return on capital employed compares operating surplus to total assets less current liabilities and is a measure of how efficiently an organisation's resources are invested. The Group's figure of 2.4% is lower than the target of 3.2% because of the reduced levels of surplus, as explained elsewhere in this report.

Data source for all VfM charts: 2018/19 HouseMark and 2018/19 Global Accounts data for Northern England housing associations (both LSVT and traditional) with more than 15,000 units.

Q1 = top quartile performance

Q2 = upper quartile performance

Q3 = lower quartile performance

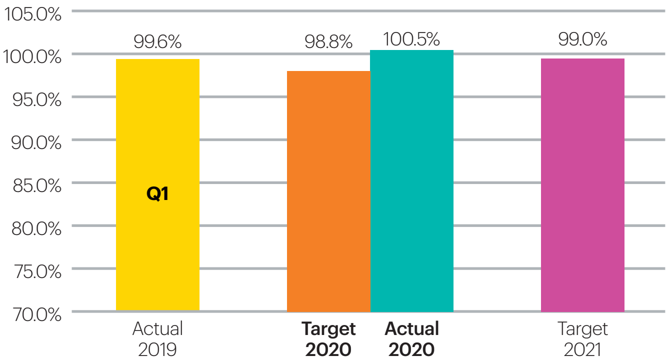
Q4 = bottom quartile performance

Median = 2018/19 median performance of Northern England peer group

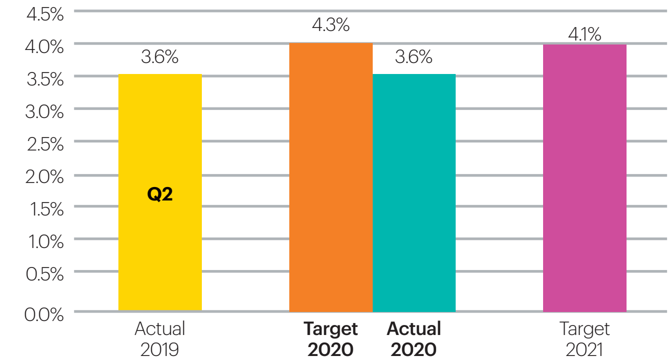
As well as the above metrics, the Group measures its performance against its strategic objectives using a range of additional performance indicators.

Delivering an outstanding service to customers so that people and communities thrive

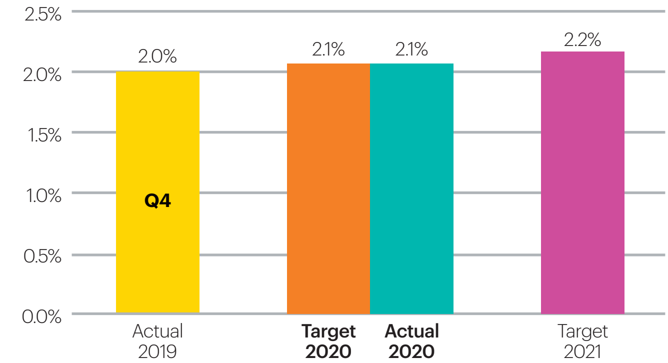
Rent collected as a % of rent due



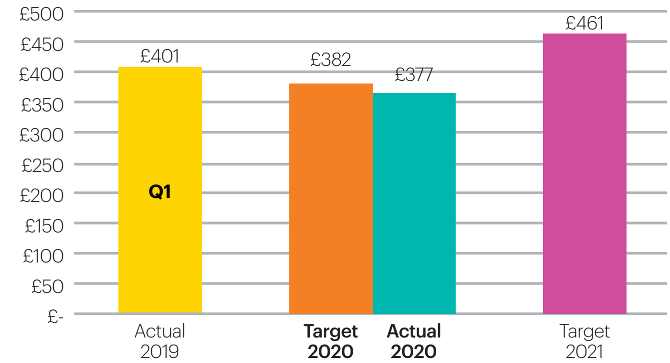
Current tenant arrears as a % of rent debit



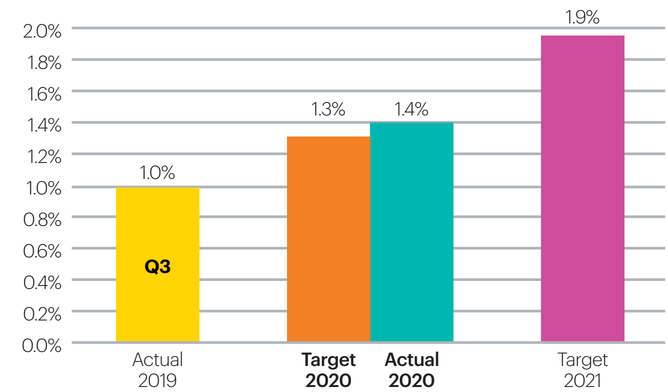
Former tenant arrears as a % of rent debit



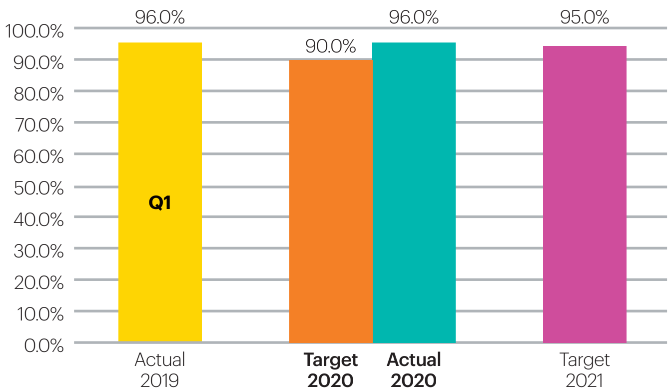
Housing management direct cost per property



Rent void loss as a % of rent due



Resident satisfaction overall



Income collection and arrears management, carried out by our efficient housing management function, remain strong despite the challenges posed by the ongoing roll out of Universal Credit. Our excellent Money Matters team continues to provide vital services to our most financially vulnerable customers. 2019/20's void loss was higher than budget due to the temporary impact of the digitalisation of our voids inspection progress during the year. Our 2020/21 void loss and current tenant arrears targets reflect the disruption wrought by COVID-19. Overall, demand for our properties remains strong.

Delivering an outstanding service to customers so that people and communities thrive

The priority we place on outstanding customer service is reflected by the results of the Survey of Tenants and Residents (STAR) survey, a sector-wide measure, with 96% of our customers satisfied with the overall service they receive from us. In addition, our housebuilder arm, Gentoo Homes, has for the first time, attained the maximum 5 star rating with the National House Building Council's (NHBC) Star Rating Scheme, placing the organisation in a select group of housebuilders. Achieving this rating requires at least 90% of surveyed homeowners to be prepared to recommend Gentoo Homes to a friend.

As highlighted in last year's report a comprehensive review of our operational delivery model was completed during the year. Without increasing existing resources we will make service improvements via changes to neighbourhood enforcement and safety, support and crisis services to ensure our service remains fit for purpose over the next three years. We have reviewed our accommodation strategy alongside our delivery model leading to the rationalisation of our places of work, the consolidation of our operational teams and the freeing up of land now available to support our affordable homes programme.

We continue to develop our tenant self-serve offer, MyGentoo, with a steady increase in tenant registrations for this service. We have further strengthened our tenant voice with a governance review completed during the year. Our five local Community Engagement Forums (CEF) have established good two-way communication links with Group Board. As an early adopter of the National Housing Federation's Together with Tenants plan we have worked with our CEF's to identify the standards of service our tenants can expect from us, how we will measure our progress against those standards and how we will be challenged if we fail to deliver. We have also reviewed our tenant scrutiny group, USTOO, and are currently recruiting new members.

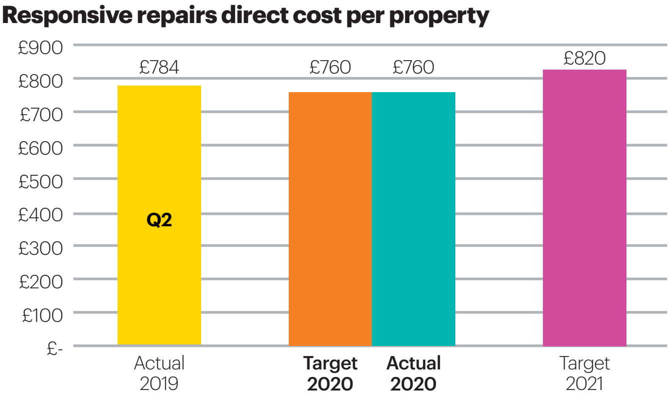
Other value for money achievements include:

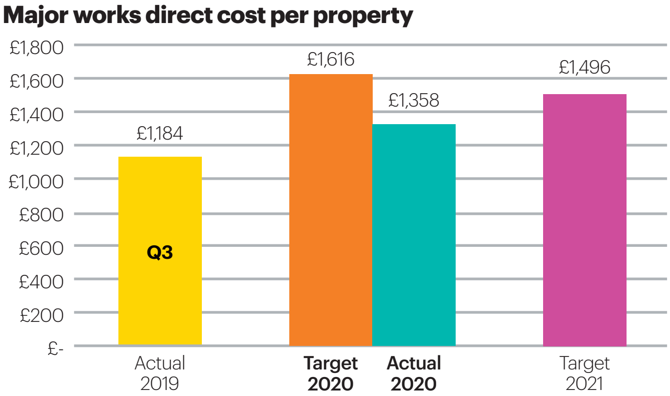
- Worked with our three principal contractors, Kier, Engie and Bell Group to deliver social value which equated to over £1.1m.
- We provided secure homes for eight households who were sleeping rough generating a social value of £0.2m and provided secure homes for 33 households who were in temp accommodation generating a value of £0.3m.
- We generated £0.2m of social value through our Wise Steps programme, which helped 14 people into full or part time employment.

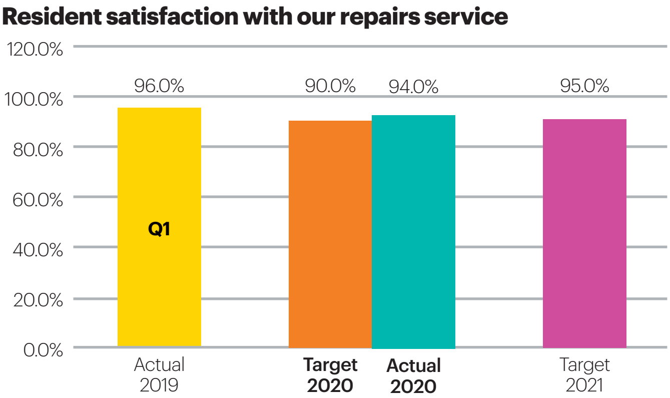
Our future plans include:

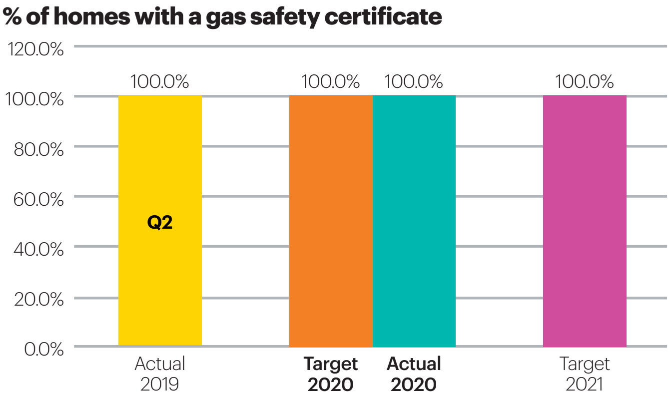
- A review of our cash collection processes, with opportunities for further efficiencies.
- Further enabling of our tenants and residents to interact with us through online self-service, improving both the accessibility and efficiency of these services, in particular a tenant document portal and online repairs bookings.
- A review of our local service offers, aligned with our Together with Tenants work.

Actively managing our assets and developing new homes to meet local needs









Our continuous improvement of our repairs and maintenance (R&M) function is reflected in a 3.4% increase in the number of jobs carried out right first time and a 10.6% improvement during the year of repairs completed within timescale. Customer satisfaction with R&M transactions remained strong at 94%. Productivity of the in-house repairs team has increased by one third of a job per day, allowing a reduction in sub-contractor support for non-specialised repair works. Gas safety completion performance during the year was strong and frequently at 100%.

Highlights of our stock investment activities during the year include our innovative Core364 project which involves the replacement of the gas infrastructure in seven tower blocks with a ground-source heating system accompanied by the installation of sprinkler and upgraded fire alarm systems. This innovative project will address historic maintenance issues faced in these buildings, contribute to the carbon reduction agenda and provide our tenants with a reliable, sustainable, cheaper heating solution.

During the year we commenced a £4.9m investment in the River Quarter development in Sunderland. This project will remove all timber external cladding, walkways, and balconies with non-combustible materials. Building safety and our landlord compliance responsibilities will remain a key focus of our asset management activities.

The Group continues to help meet the housing needs of local people by building a range of affordable and open market homes across the North East. During the year we have recruited a new affordable development team charged with delivery of circa. 900 units by March 2024. Two schemes which will deliver 100 of these homes are currently onsite. The full programme includes developments on the Group's own land, Section 106 opportunities and open market acquisitions which align with the Group's existing housing property portfolio.

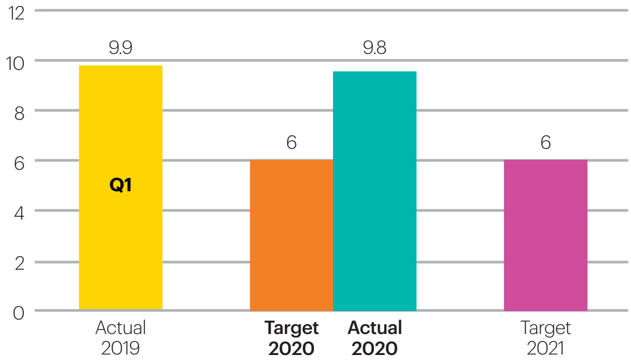
The Group's private housebuilder, Gentoo Homes, delivered 189 homes for sale in the year, including shared ownership, generating a profit of £1.7m to support the delivery of our core business. The Gentoo Homes product offer ranges from starter homes, allowing opportunities for a route into affordable home ownership, including shared ownership, through to executive level homes. The initial impact of the COVID-19 pandemic on the UK housing market was profound and the nature and pace of the recovery from this market shock is still to be determined. Gentoo Homes' strong 2019/20 performance and plans to regulate its construction activity in alignment with the pace of market recovery will equip it to navigate what is likely to be a challenging market for the foreseeable future.

Our future plans include:

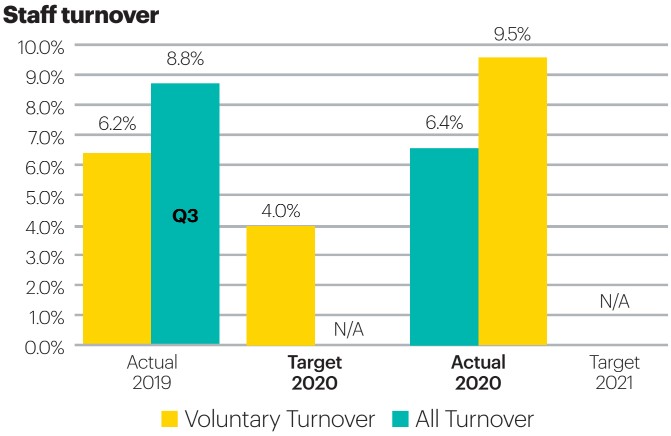
- Ongoing assessment of the VfM of our responsive maintenance activities
- Removal of the gas infrastructure from our remaining four gas-supplied domestic tower blocks in Sunderland city centre
- Further progression of our affordable development programme, with circa 900 units of additional supply in the next five years

Supporting our people to deliver our vision and live our values

Average working days lost



Staff turnover



We aim to ensure that the performance of our people delivers individual and organisational effectiveness. Holding an Investors in People gold accreditation, we recognise that our staff are our greatest asset. Since the launch of our People Strategy in April 2016, our focus has been on organisational design, learning and development, performance and reward, resourcing and talent planning, employee relations and organisational development.

Average working days lost through sickness has decreased from 9.9 days to 9.8 days per employee in 2019/20. This figure is higher than the market average days lost for the not for profit sector of 6.2 days. Long term sickness accounted for 47% of the overall sickness absence, down from 72% last year. Our absence rate has improved to 3.7% from 3.9% last year.

Voluntary staff turnover in 2019/20 was 6.4% although a very slight increase from the previous year is not a cause for concern. Our overall staff turnover of 9.5%, reflects the ongoing structure reviews in the Group.

HR modernisation plans are now in place including, a new defined contribution pension scheme, health plan, flexible working, career model and grading structure. The focus for this work was to drive engagement, ensure we are able to recruit and retain the best talent and have an overall employment package that represents value for money to the group.

Other Value for money achievements include:

- Savings of more than £34,000 through internal delivery of training compared to the cost of external delivery

Our future plans include:

- Completing our HR modernisation project, embedding its new benefits, initiatives and processes
- Continuing to invest in culture and organisational health on our planned journey to Investors in People Platinum status
- Developing a long term workforce planning tool to ensure we are aligning our colleagues to deliver the Group's objectives

Working with others to build effective partnerships

The Group continues to work with a range of partners at local, national and regional level. During the 2019/20 year Gentoo continued to strengthen existing partnerships as well as developing new ones where appropriate. Our partnership working does not seek to produce specific metrics. Partnership working is an enabler for the Group, a means of furthering our objectives as well as those of like-minded organisations. We are well represented on a range of strategic, operational, national and local partnerships and while there are too many to individually reference, the information below provides a flavour of partnership activity during the year:

Homes for the North

Gentoo continues to play a key role in this influencing body which is an alliance of housing associations seeking to ensure fair distribution of funding to build more new homes across the North. During 2019/20 Gentoo's Chief Executive Officer became Chair of this body.

Domestic Abuse Housing Alliance

This national partnership between Gentoo, Peabody and Standing Together continues to go from strength to strength with their mission of improving the housing sector's response to domestic abuse.

Sunderland City Council (SCC)

Gentoo and SCC work closely together on a number of key agendas to maximise value and outcomes for the City of Sunderland. Examples include grounds maintenance, estate services, new build development opportunities, community safety, environmental sustainability and digital improvements.

SAFC/Foundation of Light Partnership

During the year Gentoo entered into a new community partnership with Sunderland Football Club and the Foundation of Light. The football club is at the heart of the city and is passionately supported by many residents living in Gentoo's communities. Amongst other things the partnership aims to improve digital inclusion and personal learning & development opportunities for tenants.

Positive Footprints

Another new exciting development during 2019/20 was the launch of Gentoo's partnership with Positive Footprints which seeks to provide opportunities for children to discover their potential, explore the world of work, build resilience and develop employability skills.

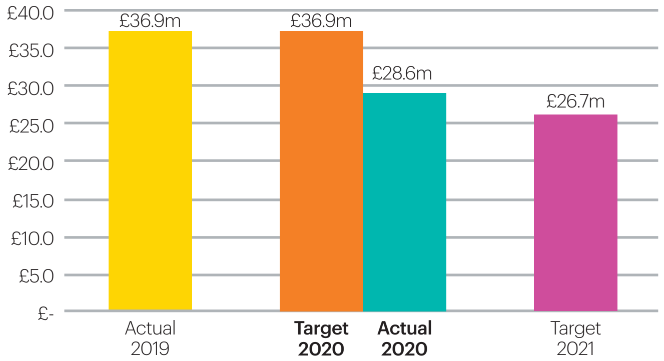
Community Partnerships

Gentoo is involved in a range of local partnerships with the aim of supporting and empowering individuals and communities in Sunderland to grow and prosper and deliver positive sustainable outcomes. Examples include Wise Steps, Empower Sunderland Community Fund, Sunderland College, Sunderland Armed Forces Partnership and the Sunderland Foodbank.

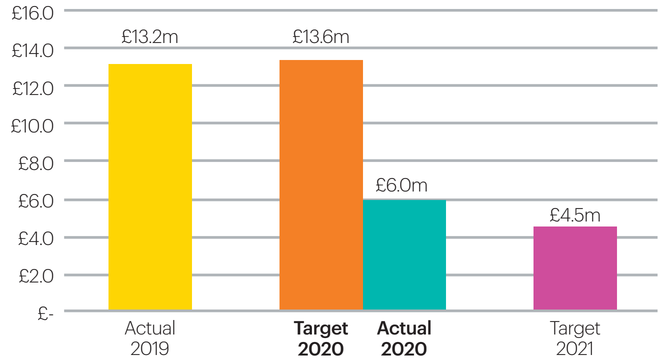
Our future plans include continuing to review the effectiveness of all partnership activity and build on the successes to date. In light of the COVID-19 environment it is even more important that organisations work together to meet the challenges facing us all in these unprecedented times.

Being well governed and financially strong

Operating surplus



Retained surplus



The Group's financial performance is addressed elsewhere in this report. The Group's target surplus for 2021 reflect the impact of the COVID-19 pandemic on the core letting activities and on non-social housing activities carried out by Gentoo Homes. The Group's liquidity, cash headroom and core operations remain robust and the Group's Business Plan continues to demonstrate a strong, viable business.

The Group continues to review its activities to ensure VfM can be delivered and evidenced. This includes a review of the governance structure, which this year saw the transfer of engagements from Gentoo Art of Living to Gentoo Group. In addition, during the year the Group has reviewed a number of functions to assess their effectiveness and efficiency. This led to the outsourcing of the Group's internal audit function and disbanding of the Policy team. Both outcomes contributed to efficiency savings delivered in the year of circa £1m as well as improving governance and accountability in these areas.

Effective procurement remains key to the Group's approach to VfM. Total savings achieved in the year were £4.0m or 8.14% of our tendered works and services. These savings, extrapolated across the life of these contracts, are £5.1m. Highlights of these improvements include annual savings in the following areas:

- Asset Improvement Programs (£1.6m)
- Development (£2.0m)
- Corporate Services (£0.1m)
- IT & Telecoms (£0.2m)
- Operations (£0.1m)

Modernisation of the Group's funding arrangements progressed with Board approval of a transaction that would see the repayment one of the Group's non-core existing funders via increased facilities with an existing core funder. This arrangement, completed in May 2020, improves the Group's headroom by £20m and increases medium term flexibility and capacity with a new ten year Revolving Credit Facility, supporting the Group's asset management and affordable development objectives.

The Group also completed a review of its pension offer during the year. This has led to the decision to close the career average Local Government Pension Scheme to the majority of new entrants and create a new Defined Contribution arrangement which will be offered to the majority of new employees and become the Group's auto-enrolment vehicle. This step will reduce the Group's long-term exposure to defined benefit pension liabilities and reduce pension costs over the long term, increasing our financial capacity to invest in our core purpose.

Our future plans include:

- A programme of efficiencies to deliver improvements to the target surplus for 2020/21
- Progression to the next phase of the Group's treasury strategy which will continue the modernisation of our funding arrangements and further unlock balance sheet strength to deliver our mission

Streamlined Energy and Carbon Reporting (SECR)

There are qualifying conditions that require organisation to report their carbon emissions and energy usage. Gentoo Group do not meet these conditions and are therefore not required by the legislation to include this information in its annual report however is reporting this summary in line with best practice. The methodology used to produce Gentoo Group's carbon footprint was in line with the Greenhouse Gas Protocol (GHG Protocol) and followed an operational control approach to identifying what was included within the footprint.

Gentoo Groups carbon footprint 1 April 2019 – 31 March 2020

Gentoo Group emitted 4,009 tCO_2e (tonnes of carbon dioxide equivalent) for 2019/20 across scope 1 and 2. This includes Gentoo Homes' emissions. When Scope 3 business travel is added, this brings the total to 4,282 tCO_2e.

An intensity ratio is used to determine the carbon emissions relative to a single common business metric and allows the Groups carbon footprint to be compared over time or with similar organisations.

For scope 1 and 2 emissions, this can be presented as 4,009 tCO_2e with an intensity ratio of 3.51 tCO_2e per total full-time equivalent employee and 23.28 tCO_2e per million £ turnover.

For 1 April 2019 to 31 March 2020 the number of full-time equivalent employees was 1,142 and the turnover was £172m.

The methodology used to produce Gentoo Homes' carbon footprint was in line with the Greenhouse Gas Protocol (GHG Protocol) and followed an operational control approach to identifying what was included within the footprint.

Carbon efficiency initiatives

Gentoo Group has several carbon efficiency initiatives in place, including renewable energy, in the form of solar photo voltaics (PV) at offices. This PV provided an equivalent of 61,246 kwhs of energy towards the total demand of the Group's use during this period (representing 0.74% of electricity consumed). This prevented 16.98 tCO_2e of carbon emissions had all the energy demands been met by the national grid.

The Group also switched to a green tariff on 1 October 2019 for all of the electricity supplied to the Group from the national grid. This equated to 4,248,995 kwh supplied from renewable energy sources.

Electric vehicles are available for colleagues to use as 'pool vehicles'. There were 18,540 business miles travelled in electric vehicles during this period across the whole of Gentoo Group, with zero emissions. If these miles had been covered in an average car of unknown fuel type, there would have been an estimated additional 5.3 tCO_2e emitted.

Risk management

Risk and Audit Committee
The Risk and Audit Committee acts on behalf of the Board to ensure appropriate controls are in place to safeguard assets and manage the attendant risks. The Committee is also responsible for monitoring and reviewing a number of areas including the consistency of accounting policies, the integrity of financial statements, the adequacy of internal controls as regards financial operations and compliance, the proper management of risks and the selection of the external auditors. The Committee must meet at least four times a year; however, it has met six times during the year.

Risk management
Gentoo is committed to ensuring that the management of risk underpins all business activities and that robust risk management procedures are in place throughout the organisation.

The approach used to define Gentoo's risk appetite, safeguard the interests of its stakeholders, employees and general environment is laid down in Gentoo's risk management framework. The framework has the full support of Gentoo Executive Team and is approved annually by the Board. Risk and Audit Committee and the Board have approved changes to the framework to strengthen Gentoo's approach to obtaining assurance to coincide with the outsourcing of Gentoo's internal audit function.

The risk management framework includes the integration of risk into the business planning, stress testing processes and a review of the external environment in which Gentoo operates, including the sector risk profile published by the Regulator of Social Housing (RSH).

Gentoo's established risk management processes facilitate the identification, monitoring and reporting of key risks and the implementation of mitigating actions.

Risk governance
The Risk and Audit Committee oversee the risk and internal control framework on behalf of the Board and makes recommendations to the Board where necessary. The Committee receives regular information regarding Gentoo's risk profile, key corporate risks, controls and improvement plans.

Risk owners take responsibility for the identification and management of risk, supported by Gentoo's risk and internal audit functions, who provide assurance over the internal control framework within Gentoo, using a risk based approach to its audit planning process.

Group risk management processes include, but are not limited to:

- A Risk and Audit Committee with delegated authority from the Board for oversight of risk and internal control processes
- An established 'Three lines of defence' risk and assurance governance model
- A risk appetite statement
- Risk data specifically linked to strategic aims
- Transparent risk data flows - up, down and across Gentoo
- Established stress testing and regular valuation of cumulative risk exposures
- Risk updates to the Board and Risk and Audit Committee

The Board, Risk and Audit Committee and senior management have agreed and continually review and monitor a set of strategic/key risks which may prevent us from meeting our objectives. The Board and Executive Team has carried out a fundamental review of its appetite for risk which is reviewed on an annual basis. Risks are identified, evaluated, monitored and reported in line with our Risk Management Framework. Risk reporting include scoring, controls, future mitigation requirements and cumulative risk.

During the year the Board has continued to focus on actively managing its key risks in the context of BREXIT, Gentoo's regulatory judgement and the onset of the coronavirus pandemic, which are mapped to our strategic aims. The extent and severity of the impact of COVID-19 on Gentoo's current risk profile and the emergence of new risks will be dependent upon the duration of the pandemic and Government restrictions, which will continue to be monitored closely and stress tested. Further mitigations will be introduced where necessary which will feed into Gentoo's COVID-19 Recovery Plan.

Risk Rating	Relevance to our Strategic Aims
■ Very High	● Deliver outstanding service to customers so that people and communities thrive
■ High	● Actively manage our assets and develop new homes to meet local needs
■ Medium	● Support our people to deliver our vision and live our values
■ Low	● Work with others to build effective partnerships
■ Very Low	● Be well governed and financially strong

Risk	Mitigation
■ **Health and safety:** Failure to focus and comply with all relevant legislation could result in accident, injury or death to staff or third parties leading to regulatory intervention. ● ● ● ● ●	Health and Safety Policy, procedures, training and audits. Regular reporting of statistics to the Board and Risk and Audit Committee.
■ **Non-compliance with the Economic Standards and Consumer Standards:** Failure to demonstrate compliance with the Economic and Consumer Standards may result in regulatory intervention, brand damage and stakeholder confidence. ● ● ● ● ●	Governance, Risk and Internal Control Framework is in place to reflect the requirements of the Regulatory Standards. Evidence based Board certification of compliance.

Risk	Mitigation
Management override of controls: Potential deliberate mis-management and/or fraud resulting in financial losses, regulatory intervention and brand damage.	Probity and Governance arrangements in pace which include Code of Conduct, Whistleblowing Policy and Procedures, Anti-fraud, Bribery and Corruption Policy and Procedures, Standing Orders Delegation Scheme and Financial Regulations.
Stock condition and data: Poor stock condition and/or accuracy of data may result in regulatory non-compliance, impact the health and safety of tenants and lead to adverse publicity.	Programme of stock condition surveys and validation of data which feeds into Gentoo's Investment Plan. Progress against the Investment Plan is monitored by The Board.
Short notice changes to government policy or direction: This uncertainty affects financial and housing market confidence and long term stability within the sector.	Horizon scanning to identify any potential changes in policy and the operating environment and stress testing to understand the impact of change and mitigations required. COVID-19 - There is a possibility that Government policy/legislation/guidance may change as a direct result of the pandemic, which could impact the housing sector. Horizon scanning will continue to be undertaken, together with ongoing liaison with sector organisations such as the NHF.
Housing market sales exposure: Profit margins, sales demand, property supply and finance arrangements could all be impacted upon by any housing market volatility or downturn.	Stress testing to understand the impact of changes in the economic environment and mitigations required. Site specific mitigation plans. Each new housing development is appraised and developments are phased wherever possible. Horizon scanning to identify potential changes in policy and the operating environment.

Risk	Mitigation
Contractor performance: Ineffective monitoring arrangements could lead to under/non-performance, poor product delivery, customer complaints, additional project costs and H&S non-compliance and potentially resulting in fines, penalties and/or sanctions. COVID-19 presents additional challenges in relation to contractor availability and capacity.	Contract/sub-contractor management procedures and processes. Non-conformance reporting and agreed sanctions. COVID-19 – close monitoring of supply chain and mitigation planning in place.
Reputation and brand damage: Gentoo recognises that any incident that reduces trust amongst stakeholder groups has the potential to create reputational or brand damage.	Reputation metrics, social network and media coverage monitoring. Crisis Communications Protocol.
Income maximisation/Welfare Reform: The roll out of Universal Credit will create increased uncertainty around cash collection, debt and void levels. Potential increases in arrears as a result of COVID-19.	Close monitoring of income collection and support arrangements for customers. Stress testing to understand the impact of the roll out and mitigations required.
Cyber-crime: A successful attack could have a significant impact resulting in loss of corporate data, intellectual property or customer details.	Staff awareness and education programmes. Network and data security controls framework. Members of regional and national anti-fraud networks.

Corporate governance

Gentoo Group Board ("the Board")
Under the Society's rules the Board is comprised of one Resident Board Member, two Council Board Members, up to nine Independent Board Members (maximum of 12 Board Members in total). The Board and members of the Executive are shown on page 6 and details of their remuneration are provided on pages 70 and 71 in the Financial Statements. Board Members are drawn from a wide range of backgrounds bringing together commercial, professional and local experience, and the Board meets a minimum of six times a year. Two new Board appointments have been made to improve the skills and diversity on the Board, effective from 1st May 2020. A system of Non-Executive Board Member appraisal is in place, led by Gentoo Chair and facilitated by an external adviser. Processes are in place to review the performance of the Chair.

In September 2019 the Regulator of Social Housing (RSH) re-graded Gentoo to a compliant Governance rating of G2 following the completion of the Voluntary Undertaking agreed with the Regulator in March 2018. The RSH definition of G2 is that the *"provider meets our governance requirements but needs to improve some aspects of its governance arrangements to support continued compliance"*. An external adviser has been commissioned to provide ongoing assurance that the changes made to governance continue to work appropriately and effectively and further improvements implemented. Regular communication has been maintained with the RSH in relation to the Group's journey to G1 including the In Depth Assessment process.

The Board is ultimately responsible for the overall control and direction of Gentoo and its subsidiaries, including the monitoring of its performance and the deployment of resources. The Board ensures that Gentoo operates effectively, within the terms of its internal governance and upholds Gentoo's vision and values. In the past year Gentoo's governance structure has been reviewed in line with the commitments made in the Voluntary Undertaking. The review included the process of how tenant involvement feeds into the governance structure. As a result of the review, the Operations Committee was dissolved, the roles and responsibilities of the Community Engagement Forums and Scrutiny Group have been enhanced and reporting of tenant related issues to the Board has been improved. The review also included board oversight of the Affordable Homes Programme to achieve circa 900 units by March 2024 resulting in the formation of a Development Committee. A co-terminus board structure has been established to improve parent board oversight of its housebuilding subsidiary. That is, all the non-executive board members of Gentoo Group Board have been appointed as the statutory directors of Gentoo Homes Limited.

The essential functions of and significant matters reserved for the Board are formally recorded in Gentoo's Standing Orders, Scheme of Delegation and Financial Regulations and reflect the requirements of the National Housing Federation's Code of Governance. These essential functions include, but are not limited to, the development of Gentoo's strategy, vision and values, changes to Gentoo's corporate structure, changes to Gentoo's management and control structure and any changes to the Society's status. The Board delegates other matters to its subsidiary boards, committees and executive which are recorded in the respective terms of reference and Gentoo's Scheme of Delegation.

The Board is supported by the Appointments and Remuneration Committee, the Risk and Audit Committee, Development Committee and Gentoo Executive Team.

The **Appointments and Remuneration Committee** is chaired by a member of the Board, who is not the Group Chair, with four other Board Members. The Committee is required to meet at least once a year, however it met six times during this financial year. Minutes of each meeting and a verbal update from the Chair of the Committee is provided at each the Board meeting. The Committee oversees board and committee appointments, re-appointments, remuneration, board succession planning, board appraisals, executive appointments, terms of employment and remuneration, making recommendations to the Board where appropriate.

During the year, the Committee has, amongst other things, reviewed succession planning arrangements and the skills requirements of Gentoo's boards and committees, overseen the Board appraisal process, Board Member recruitment process, the re-appointment of Board Members, review of Board and Committee remuneration in consideration of the independent external benchmarking report, approval of Executive remuneration and appointments.

A board diversity policy is in place that recognises and embraces the benefits of having a diverse board. A truly diverse board will include, and utilise, differences in the skills, regional and industry experience, background, race, gender and other personal qualities expected of Non-Executive Board Members. Such differences are considered in determining the optimum composition of the Board and, where possible, should be balanced appropriately. All board appointments are made on merit, in the context of the skills, experience and diversity of thought the Board as a whole requires to be effective. The Board recognised that diversity in respect to skills, knowledge and experience was reflected in terms of its composition. However, that other diverse characteristics could be better represented and, as a consequence, two further women were appointed to the Board, increasing female representation to 42% (five from twelve), thereby exceeding the Board's commitment to increase such representation to 33% by 2020.

The **Risk and Audit Committee** is chaired by a member of the Board, who is not the chair of the Board. The Committee is required to meet at least four times a year. However, it met six times during the year. The Committee oversees financial reporting and provides independent scrutiny, challenge and assurance over the risk and internal control framework on behalf of the Board. The Committee has provided oversight and scrutiny of the Boards decision to outsource Gentoo's internal audit function, improvements to Gentoo's risk management framework and risk appetite statement and monitoring compliance with Gentoo's probity and whistleblowing arrangements.

The Committee has reviewed and monitored Gentoo's key risks and mitigation plans, approved the strategic and operational audit plan, monitored the outcome of individual audits and the implementation of audit recommendations. They have reviewed Gentoo's arrangements and monitoring reports in relation to the detection and prevention of fraud, bribery, anti-money laundering and whistleblowing. Financial statements and Gentoo's Annual Report and Accounts have also been reviewed by the Committee. During the year, the Committee met with both the head of the internal audit function and external auditors, without the executive present.

A tender process for the appointment of the outsourced internal audit function and external auditors has been completed, overseen by Risk and Audit Committee, with the appointment of RSM and Grant Thornton, respectively. Grant Thornton's appointment will be made formal at the Annual General Meeting 2020. The performance and independence of the internal and external auditors will continue to be monitored by Risk and Audit Committee.

The Board has established the **Development Committee** to support the Board in its oversight of the delivery of Gentoo's Affordable Homes Programme, and the Committee held its first meeting in October 2019. The Committee is required to meet at least six times a year. The remit of the Committee is to approve and monitor the Affordable Homes Plan and the associated risks, approve contracts, acquisitions, planning and Homes England funding and are included within its delegated authority. During the year, the Committee has, amongst other things approved the Development Gateway stages to allow the progression of the Affordable Homes Programme, monitored the financial performance and key risks of the Affordable Homes Programme and approved the Affordable Homes Programme Draft Business Plan for 2020/21.

Board and Committee membership details and meeting attendance

Name	Number of meetings attended out of (total number possible for an individual)				
	Group Board	Risk and Audit Committee	Appointments and Remuneration Committee	Operations Committee	Development Committee
	7 meetings	6 meetings	6 meetings	4 meetings	3 meetings
Alison Fellows	6 (7)				3 (3)
Brian Spears	7 (7)		6 (6)	4 (4)	
Carol Long	7 (7)	6 (6)			
Chris Watson	6 (7)		5 (6)		
Claire Long					
David Murtagh	6 (7)	6 (6)			
Diane Sharp					
Emily Cox, MBE	6 (7)		4 (4)		3 (3)
Keith Loraine, OBE (Chair)	7 (7)		2 (2)		3 (3)
Leslie Herbert	6 (7)		5 (6)	3 (4)	
Michael Essl	7 (7)	4 (4)			
Philip Tye	7 (7)		5 (6)		
Susan Johnson, OBE*		6 (6)			

*Being an independent Risk and Audit Committee Member.

The following Board Members resigned during the year:					
Colin Blakey	4 (4)				
Colin English	0 (0)	0 (1)			
Frank Nicholson	4 (4)	4 (5)			
Alex Samuels				1 (4)	
Emma Teare				4 (4)	
Henry Trueman				3 (4)	
John Dannell				3 (4)	
John Urwin				4 (4)	
Karen McDonald				3 (4)	
Kathleen Dagg				2 (4)	

Effectiveness of internal controls

A key responsibility of the Board is to review, assess and confirm the adequacy and effectiveness of Gentoo's risk management and internal controls systems. The Board has delegated part of this responsibility to the Risk and Audit Committee. The role and work of the Risk and Audit Committee is described in the earlier paragraphs of this statement.

The Board's annual Schedule of Business, reporting arrangements and the work of the Risk and Audit Committee are designed to ensure that the significant areas of risk are reported on and considered during the course of the year. In addition to determining the risk appetite, the Board specifically reviews its key corporate risks.

The Board receives its assurance on an annual basis on the effectiveness of Gentoo's risk management and internal control systems through the ongoing work of the Risk and Audit Committee and the annual report of the Head of Internal Audit in line with the requirements of Gentoo's Code of Governance. Gentoo's former Head of Internal Audit concluded that Gentoo has a reasonable internal control framework based on the basis of work undertaken by Gentoo's internal audit function.

An action plan is in place to respond to weaknesses in controls which were identified through internal quality processes and external advisors relating to compliance with the Regulator of Social Housing (RSH) Consumer Standards. The action plan has been agreed with the RSH and the Board and progress is monitored by Risk and Audit Committee.

Review of the Group's external auditor

Following an Official Journal of the European Union (OJEU) tender process during 2017, KPMG LLP were re-appointed as the Group's External Auditor for the March 2018 year end for a period of three years with the option to extend for two further one year periods. A further OJEU tender process was undertaken during the year to 31 March 2020 and the appointment of the auditor will be announced at the forthcoming AGM.

KPMG LLP have provided some non-audit services during the year. Assurances were provided by KPMG LLP in their proposal document prior to their appointment that the provision of these services does not represent a conflict of interests or a threat to their independence as external auditors. KPMG LLP have systems and processes in place to assess potential conflicts of interest as they arise and will notify management and the Risk and Audit Committee immediately should there be a risk of potential conflict of interest. KPMG LLP also confirm their independence to the Risk and Audit Committee at least annually. The Policy on the provision of non-audit services by the external auditor was reviewed by the Committee in January 2018 and compliance is monitored by the Committee.

The Risk and Audit Committee also consider the performance of the external auditor on at least an annual basis as per their Terms of Reference and Schedule of Business.

Going concern

After making enquiries, Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Group's financial statements. Board approves annually the Group Business Plan and its output which are submitted annually to the Regulator in the form of a Financial Forecast Return (FFR). Board is satisfied that covenant compliance is maintained throughout the life of the plan on the basis that the financial plan has been stress tested to withstand significant composite risks materialising without breaching lender covenants confirming the future viability of the Group. See note 1.2 for further detail.

Political contributions
The Association made £nil (2019: £nil) political donations and incurred £nil (2019: £nil) political expenditure during the year.

Statement of compliance
The RSH's governance standard requires all registered providers to adopt and comply with an appropriate code of governance ('Code') and certify compliance with its chosen Code together with certification of compliance with the RSH's Governance and Financial Viability Standard. Gentoo has adopted the National Housing Federation's Code of Governance 2015. The Board complies with the principles and requirements set out in the National Housing Federation's Code of Governance published in 2015.

Compliance with the RSH's Governance and Viability Standard
The Board confirms that Gentoo Group Limited has complied with the requirements of the Governance and Viability Standard applicable for the year from 1 April 2019 having received a compliant governance rating from the RSH in September 2019.

Disclosure of information to auditor
The Board Members who held office at the date of approval of this Strategic Report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditor is unaware; and each Board Member has taken all of the steps that they ought to have taken as a Board Member to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

Auditor
In accordance with section 83 of the Co-operative and Community Benefit Societies Act 2014, the appointment of an auditor of the Association will be announced at the forthcoming AGM.

By order of the board:

Keith Loraine, OBE
Board Member
7 September 2020

David Murtagh
Board Member
7 September 2020

Simon Walker
Secretary
7 September 2020

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

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

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

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

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

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

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and comply with the early adoption of Accounting Direction for Private Registered Providers of Social Housing 2019. This supersedes the requirements of the 2015 Accounting Direction. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Independent auditor's report to Gentoo Group Limited

Opinion

We have audited the financial statements of Gentoo Group Limited ("the association") for the year ended 31 March 2020 which comprise the consolidated and association statements of comprehensive income, the consolidated and association statements of financial position, the consolidated and association statements of changes in reserves and the consolidated statement of cash flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the group and the association as at 31 March 2020 and of the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group and the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the association or to cease their operations, and as they have concluded that the group and the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the association will continue in operation.

Independent auditor's report to Gentoo Group Limited (continued)

Other information

The association's Board is responsible for the other information, which comprises the Strategic Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on page 38, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it 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 as a body, for our audit work, for this report, or for the opinions we have formed.

Tara Stonehouse (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
September 2020

Consolidated statement of comprehensive income

for the year ended 31 March 2020

	Note	2020 Total £'000	2019 Total £'000
Turnover	2a	**172,203**	177,145
Cost of sales	2a	**(37,851)**	(37,666)
Gross profit		**134,352**	139,479
Operating expenditure	2a	**(107,498)**	(105,067)
Other operating income	2a	**199**	370
Surplus on disposal of tangible fixed assets	5	**1,552**	2,146
Operating surplus		**28,605**	36,928
Analysed as:			
Operating surplus before exceptional pension past service costs		**28,605**	42,728
Exceptional pension past service costs	3	**-**	(5,800)
Operating surplus after exceptional items		**28,605**	36,928
Interest receivable and similar income	6	**1,424**	1,445
Interest payable and similar charges	7	**(23,570)**	(24,643)
Revaluation of fixed asset investments	13	**603**	220
Fair value adjustment for investment property	12	**(550)**	(557)
(Deficit) / surplus on disposal of investment properties	12	**(119)**	116
Fair value adjustment	21	**(129)**	(82)
Surplus before taxation		**6,264**	13,427
Tax on surplus	9	**(228)**	(237)
Surplus for the financial year		**6,036**	13,190
Other comprehensive income			
Actuarial gain in respect of pension scheme	3	**12,310**	12,910
Restriction of pension asset	3	**(460)**	-
Total comprehensive income for the year		**17,886**	26,100

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

These financial statements were approved by the board on 7 September 2020 and were signed on its behalf by:

Keith Loraine, OBE
Board Member

David Murtagh
Board Member

Simon Walker
Secretary

Association statement of comprehensive income

for the year ended 31 March 2020

	Note	2020 Total £'000	2019 Total £'000
Turnover	2a	**127,654**	132,958
Cost of sales	2a	**(942)**	(904)
Gross profit		**126,712**	132,054
Operating expenditure	2a	**(102,420)**	(102,191)
Other operating income	2a	**-**	25
Surplus on disposal of tangible fixed assets	5	**1,552**	2,146
Operating surplus		**25,844**	32,034
Analysed as:			
Operating surplus before exceptional pension past service costs		**25,844**	37,834
Exceptional pension past service costs	3	**-**	(5,800)
Operating surplus after exceptional items		**25,844**	32,034
Interest receivable and similar income	6	**3,186**	3,316
Interest payable and similar charges	7	**(23,655)**	(24,861)
Gift aid receivable		**1,671**	3,949
Revaluation of fixed asset investments	13	**603**	220
Fair value adjustment for investment property	12	**(550)**	(557)
(Deficit) / surplus on the disposal of investment properties	12	**(119)**	116
Surplus before taxation		**6,980**	14,217
Taxation on surplus	9	**(228)**	(237)
Surplus for the financial year		**6,752**	13,980
Other comprehensive income			
Actuarial gain in respect of pension scheme	3	**12,310**	12,910
Restriction on pension asset	3	**(460)**	-
Total comprehensive income for the year		**18,602**	26,890

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

These financial statements were approved by the board on 7 September 2020 and were signed on its behalf by:

Keith Loraine, OBE	**David Murtagh**	**Simon Walker**
Board Member	Board Member	Secretary

Consolidated statement of financial position

at 31 March 2020

	Note	2020 Total £'000	2019 Total £'000
Fixed assets			
Tangible fixed assets – housing properties	10	**1,023,128**	1,009,734
Tangible fixed assets – other	11	**13,627**	16,559
		1,036,755	1,026,293
Investments			
Investment properties	12	**10,859**	12,593
Other investments	13	**33,353**	32,750
HomeBuy loans receivable	14	**534**	580
		44,746	45,923
		1,081,501	1,072,216
Current assets			
Stock	15	**56,919**	64,490
Debtors	16	**19,372**	19,959
Cash and cash equivalents	17	**31,031**	16,135
		107,322	100,584
Creditors: amounts falling due within one year	18	**(37,843)**	(33,547)
Net current assets		**69,479**	67,037
Debtors: amounts falling due after more than one year	21	**4,075**	4,979
Total assets less current liabilities		**1,155,055**	1,144,232
Creditors: amounts falling due after more than one year	22	**(558,200)**	(553,763)
Pension liability	3	**-**	(11,500)
Net assets		**596,855**	578,969
Capital and reserves			
Revaluation reserve		**156,144**	157,871
Revenue reserve		**168,346**	141,566
Other reserve		**272,365**	279,532
		596,855	578,969

The accompanying notes form part of these financial statements.

These financial statements were approved by the board on 7 September 2020 and were signed on its behalf by:

Keith Loraine, OBE
Board Member

David Murtagh
Board Member

Simon Walker
Secretary

Registered number: 7302

Association statement of financial position

at 31 March 2020

	Note	2020 Total £'000	2019 Total £'000
Fixed assets			
Tangible fixed assets – housing properties	10	**1,028,967**	1,015,272
Tangible fixed assets – other	11	**13,723**	16,640
		1,042,690	1,031,912
Investments			
Investment properties	12	**10,859**	12,593
Other investments	13	**33,353**	32,750
Investments in subsidiaries	13	**350**	350
HomeBuy loans receivable	14	**534**	580
		45,096	46,273
		1,087,786	1,078,185
Current assets			
Stock	15	**15,342**	19,959
Debtors	16	**25,854**	20,703
Cash at bank and in hand		**30,859**	12,814
		72,055	53,476
Creditors: amounts falling due within one year	18	**(33,841)**	(27,533)
Net current assets		**38,214**	25,943
Debtors: amounts falling due after more than one year	21	**30,639**	38,377
Total assets less current liabilities		**1,156,639**	1,142,505
Creditors: amounts falling due after more than one year	22	**(554,142)**	(602,970)
Pension liability	3	**-**	(11,500)
Net assets		**602,497**	528,035
Capital and reserves			
Revaluation reserve		**139,837**	141,564
Revenue reserve		**190,296**	106,940
Other reserve		**272,364**	279,531
		602,497	528,035

The accompanying notes form part of these financial statements.

These financial statements were approved by the board on 7 September 2020 and were signed on its behalf by:

Keith Loraine, OBE
Board Member

David Murtagh
Board Member

Simon Walker
Secretary

Registered number: 7302

Consolidated statement of changes in reserve

	Revaluation reserve £'000	Revenue reserve £'000	Other reserve £'000	Total reserves £'000
Balance at 1 April 2018	161,636	104,534	286,699	552,869
Total comprehensive income for the year				
Surplus	-	13,190	-	13,190
Other comprehensive income				
Transfer in respect of depreciation on revalued properties	(2,203)	2,203	-	-
Transfer in respect of realised losses on disposal of revalued properties	(1,562)	1,562	-	-
Realisation of other reserve	-	7,167	(7,167)	-
Actuarial gain in respect of pension scheme	-	12,910	-	12,910
Balance at 31 March 2019	**157,871**	**141,566**	**279,532**	**578,969**
Balance at 1 April 2019	157,871	141,566	279,532	578,969
Total comprehensive income for the year				
Surplus	-	6,036	-	6,036
Other comprehensive income				
Transfer in respect of depreciation on revalued properties	(681)	681	-	-
Transfer in respect of realised losses on disposal of revalued properties	(1,046)	1,046	-	-
Realisation of other reserve	-	7,167	(7,167)	-
Actuarial gain in respect of pension scheme	-	12,310	-	12,310
Restriction of pension asset	-	(460)	-	(460)
Balance at 31 March 2020	**156,144**	**168,346**	**272,365**	**596,855**

Association statement of changes in reserves

	Note	Revaluation reserve £'000	Revenue reserve £'000	Other reserve £'000	Total reserves £'000
Balance at 1 April 2018		144,555	69,892	286,698	501,145
Total comprehensive income for the year					
Surplus		-	13,980	-	13,980
Other comprehensive income					
Transfer in respect of depreciation on revalued properties		(1,429)	1,429	-	-
Transfer in respect of realised losses on disposal of revalued properties		(1,562)	1,562	-	-
Realisation of other reserve		-	7,167	(7,167)	-
Actuarial gain in respect of pension scheme		-	12,910	-	12,910
Balance at 31 March 2019		**141,564**	**106,940**	**279,531**	**528,035**
Balance at 1 April 2019		141,564	106,940	279,531	528,035
Total comprehensive income for the year					
Surplus		-	6,752	-	6,752
Transfer of Engagements	31	-	55,860	-	55,860
Other comprehensive income					
Transfer in respect of depreciation on revalued properties		(681)	681	-	-
Transfer in respect of realised losses on disposal of revalued properties		(1,046)	1,046	-	-
Realisation of other reserve		-	7,167	(7,167)	-
Actuarial gain in respect of pension scheme		-	12,310	-	12,310
Restriction of pension asset		-	(460)	-	(460)
Balance at 31 March 2020		**139,837**	**190,296**	**272,364**	**602,497**

Consolidated statement of cash flows

for the year ended 31 March 2020

	2020 £'000	2019 £'000
Cash flows from operating activities		
Surplus for the year	**6,036**	13,190
Adjustments for non cash items:		
Depreciation	**28,230**	26,994
Amortisation of deferred government grant	**(123)**	(116)
Impairment of other tangible fixed assets	**2,554**	-
Impairment loss on stock – properties under construction	**1,178**	-
Revaluation of fixed asset investments	**(603)**	(220)
Change in value of investment property	**550**	557
Fair value adjustment	**129**	82
Interest receivable and similar income	**(1,424)**	(1,445)
Interest payable and similar charges	**23,570**	24,643
Surplus on disposal of tangible fixed assets	**(1,552)**	(2,146)
Surplus on disposal of investment properties	**119**	(116)
Government grants utilised in the year	**(778)**	(647)
Taxation	**228**	237
	52,078	47,823
Decrease in trade and other debtors	**4,028**	2,200
Decrease / (increase) in stock	**1,356**	(3,562)
Increase in trade and other creditors	**8,591**	2,097
Increase in provisions and employee benefits	**190**	6,230
	14,165	6,965
Tax paid	**-**	(200)
Net cash flows from operating activities	**72,279**	67,778
Cash flows from investing activities		
Proceeds from sale of tangible fixed assets - housing properties	**6,166**	9,125
Proceeds from sale of tangible fixed assets – other	**98**	579
Proceeds from sale of investment properties	**1,065**	721
Acquisition of tangible fixed assets - housing properties	**(6,718)**	(2,942)
Acquisition of tangible fixed assets – other	**(1,258)**	(1,734)
Capital expenditure on existing properties	**(32,766)**	(25,727)
Development of social housing properties	**(3,620)**	(3,852)
Interest received	**1,445**	1,445
Proceeds from receipt of Government grants	**2,618**	978
Net cash from investing activities	**(32,970)**	(21,407)

	2020 £'000	2019 £'000
Cash flows from financing activities		
Proceeds from loans	**16,058**	6,734
Interest paid	**(23,636)**	(24,474)
Repayment of borrowings	**(16,852)**	(24,239)
Net cash from financing activities	**(24,430)**	(41,979)
Net increase in cash and cash equivalents	**14,879**	4,392
Cash and cash equivalents at 1 April	**16,129**	11,737
Cash and cash equivalents at 31 March (note 17)	**31,008**	16,129

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

Notes to the Financial Statements

For the year ended 31 March 2020

1 Accounting policies

Legal status
Gentoo Group Limited (the "Association") is a Community Benefit Society registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the RSH as a private registered provider of social housing. The Association has charitable status with HM Revenue & Customs, reference number EW41411. The Association is also a Public Benefit Entity.

Basis of accounting
These financial statements have been prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"). The FRS 102 Triennial Review 2017 Amendments, applicable for periods beginning on or after 1 January 2019, have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In these financial statements, the Association is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosure:

- Cash Flow Statement and related notes.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

- Home Purchase Plans (note 21)
- Investment properties (note 12)
- Other investments (note 13)

1.2 Going concern

The financial statements have been prepared on a going concern basis which the Board consider to be appropriate for the following reasons.

The Group prepares a 30 year business plan which is updated and approved on an annual basis. The most recent business plan was approved in July 2020 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure. Following the outbreak of COVID-19 the Group has undertaken a series of further scenario testing including severe but plausible downsides in the worst case assessment.

The Board, after reviewing the Group and Association budgets for 2020/21 and the Group's medium term financial position as detailed in the 30-year business plan including changes arising from the COVID-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue to meet their liabilities over the period of 12 months from the approval of the financial statements (the going concern period). In reaching this conclusion, the Board has considered the following factors:

- The property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of property sales, reductions in sales values and potential conversion of market sale to social homes;
- Maintenance costs – budget and business plan scenarios have been modelled to take account of cost increases and delays in maintenance expenditure, with major works being phased into future years;

- Rent and service charge receivables – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential future restrictions in rent increases;
- Liquidity – current available cash and unutilised loan facilities at March 2020 of £71.3m which gives significant headroom for committed expenditure and other forecast cash flows over the going concern period; and
- The Group's ability to withstand other adverse scenarios such as higher interest rates and increases in the number of void properties.

The Board believes the Group and Association have sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Board is confident that the Group and Association will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Basis of consolidation

The consolidated statement of comprehensive income and statement of financial position consolidate the results and financial position of the Association and its subsidiary undertaking. Details of the subsidiary undertakings are included in Note 13 to the financial statements. Intra-group turnover, surpluses and balances are eliminated fully on consolidation. Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

1.4 Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgments and estimates. The judgments and estimates which have the most significant impact on amounts recognised in the financial statements are set out in note 30.

1.5 Classification of financial instruments issued by the Association

In accordance with FRS 102.22, financial instruments issued by the Association are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Association to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Association; and

(b) where the instrument will or may be settled in the Association's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Association's own equity instruments or is a derivative that will be settled by the Association's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Association's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.6 Basic financial instruments

Trade and other debtors / creditors
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Bad and doubtful debts
Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they may be irrecoverable.

Interest-bearing borrowings classified as basic financial instruments
Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. Where a public benefit entity concessionary loan has been granted, the Group has opted to apply the accounting treatment set out in paragraphs PBE34.90 to PBE34.97 of FRS 102.

Investments in subsidiaries
Investments in subsidiaries are carried at cost less impairment.

Other investments
Other fixed asset investments are stated at fair value. Movements in fair value are recorded in the revaluation reserve.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Association's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.7 Other financial instruments

Financial instruments not considered to be basic financial instruments (other financial instruments)

The Genie Home Purchase Plan (HPP) is a 'complex financial instrument' under FRS 102 due to the potential link to upward House Price Index (HPI). The Genie HPP is initially recognised on the statement of financial position at the value the customer has committed to purchase the property. Subsequent to initial recognition, Genie HPP's are measured at fair value with changes recognised in profit or loss. The fair value is equal to the share retained by the Company in the property which is subject to a HPP valued at the original sales price. This equates to the minimum cashflows to be received under the HPP contractual arrangement discounted over the estimated term. The fair value is stated net of deferred revenue as this is not considered realised until the related loan is repaid.

1.8 Tangible fixed assets

Housing properties held for letting

Housing properties are principally properties available for rent and are stated at historical cost less accumulated depreciation and accumulated impairment losses. Additions include the cost of acquiring land and buildings, development costs and expenditure incurred in respect of enhancements to existing properties. Depreciation is charged to the statement of comprehensive income to write down the value of housing properties on a straight line basis over the following useful economic lives:

Housing property components: depreciation life

	Years		Years		Years
Bathrooms	25	Kitchens	20	PV panels	25
Boilers	10	Lifts	30	Roof	60
Doors	30	New build structure	100	Structure	80
Electrical installations	30	PV invertors	8	Windows	30
Heating installations	15				

No depreciation is charged for land. Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Association expects to consume an asset's future economic benefits.

Shared ownership

The costs of shared ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and on disposal the first tranche sales proceeds are shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset. Subsequent tranches sold ('staircasing') are accounted for as disposals of housing properties.

No depreciation is charged for shared ownership properties where the occupier is responsible for the maintenance of the property.

Garages held for letting

Garages held for letting are stated at historical cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write down the value of garages on a straight line basis over their expected useful economic life of 50 years.

Works to existing properties

Expenditure on housing properties that refurbishes or replaces an identified housing property component is capitalised. Major works to housing properties are capitalised where they increase the net rental stream or the life of the property. All other maintenance costs are charged to the statement of comprehensive income in the year they are incurred.

Disposal of housing properties

Property sales and any surplus thereon are recognised when the transaction becomes legally binding on both parties. Any foreseeable deficit on any proposed property sale is recognised in the statement of comprehensive income as soon as the decision is made to dispose of the property.

The Group sells its properties under the statutory regulations of 'Preserved Right to Buy' and 'Right to Acquire'. Surplus or deficit on sale of these properties are recognised before operating surplus or deficit.

Housing properties under construction
Housing properties under construction are stated at cost and are not depreciated.

Other tangible fixed assets
Other tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset plus any costs incurred in bringing the asset to its working condition for its intended use.

Depreciation is calculated to write down the cost of tangible fixed assets on a straight line basis over their estimated useful economic lives as follows:

	Years		Years		Years
Furniture, fixtures and fittings	5 - 20	IT equipment	3 - 7	Land and buildings	50
Office equipment	3 - 10	Plant and machinery	3 - 15	Vehicles	3 - 5

No depreciation is charged for land. Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Association expects to consume an asset's future economic benefits.

1.9 Intangible assets

Goodwill
Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units (CGU) or a group of CGU's that are expected to benefit from the synergies of the business combination from which it arose.

Other intangible assets
Other intangible assets that are acquired by the Association are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible assets acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation
Amortisation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be five years.

The Association reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with FRS 102 Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.10 Government grants

Government grants are included within accruals and deferred income in the statement of financial position and credited to the statement of comprehensive income over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

Social Housing Grant
Social Housing Grant (SHG) is initially recognised at fair value as a liability, specifically as deferred government grant income and released through the statement of comprehensive income as turnover over the life of the

structure of housing properties in accordance with the accruals method applicable to registered providers of social housing accounting for housing properties at cost.

For items where on transition to FRS 102, an election has been taken to treat fair value as deemed cost, the performance method for accounting for grant has been applied as the fair value application as deemed cost is treated as a revaluation at the transition date and SHG in respect of those items has been taken to revenue reserves. An amount equivalent to SHG taken to revenue reserves is disclosed as a contingent liability reflecting the potential future obligation to repay SHG where properties are disposed.

On disposal, SHG associated with those properties is transferred to either the Recycled Capital Grant Fund (RCGF) or the Disposal Proceeds Fund (DPF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

For assets carried at a depreciated historical cost basis the impairment loss is recognised in the statement of comprehensive income immediately.

For assets that are carried at cost less accumulated depreciation, an impairment loss is first set off against any revaluation surplus relating to the same assets in reserves and the balance of the loss is then treated as an expense in the statement of comprehensive income.

1.11 Disposal proceeds fund (DPF)

The disposal proceeds fund is an internal fund used to recycle the proceeds of sale under 'Right to Acquire' procedures. This fund has been calculated and disclosed in accordance with determinations made under 'Disposal Proceeds Fund: Requirements of the Social Housing Regulator 2015'.

1.12 Recycling of capital grant fund (RCGF)

Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the provision of new properties. Where recycled grant is known to be repayable it is shown as a creditor within one year.

1.13 Other grants

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

1.14 Investment properties

Investment properties are properties which are held either to earn commercial rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition,

(a) investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in surplus or deficit in the period that they arise; and

(b) no depreciation is provided in respect of investment properties applying the fair value model.

Fair value of investment properties is determined annually by management using market data or where this is not available by using discounted cash flow analysis.

Rental income from investment property is accounted for when it is receivable or when conditions associated with the income have been met.

1.15 Stock

Properties for sale
Completed properties for outright sale and properties under construction are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises materials, direct labour and direct development overheads.

Raw materials and consumables
Stock is stated at the lower of cost and estimated selling price less costs to complete and sell.

1.16 Impairment excluding stock, investment properties and deferred tax assets

Financial assets (including trade and other debtors)
A financial asset not carried at fair value through the statement of comprehensive income is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Association would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in the statement of comprehensive income. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through statement of comprehensive income.

Non-financial assets
The carrying amounts of the Association's non-financial assets, other than investment property, stock and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.17 Employee benefits

Defined benefit plans
The Group participates in the Tyne and Wear Local Government Pension Fund (the 'Fund') which is a defined benefit scheme.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Association's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Association determines the net interest expense / (income) on the net defined benefit liability / (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability / (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the statement of financial position date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Association's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Association recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in the statement of comprehensive income.

Re-measurement of the net defined benefit liability / (asset) is recognised in other comprehensive income in the period in which it occurs.

Termination benefits
Termination benefits are recognised as an expense when the Association is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Association has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Defined contribution plans and other long term employee benefits
The Group participates in two defined contribution schemes.

A defined contribution plan is a post-employment benefit plan under which the Association pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

1.18 Turnover

Turnover is recognised when it is receivable or when conditions associated with the income have been met. It comprises:

- Rental income from tenants and leaseholders in the year, net of rent losses from voids;
- Sale of residential property;
- Receipts from the sale of the first tranche of shared ownership properties; and
- Income from other services included at the invoiced value (excluding value added tax) of goods and services supplied in the year.

1.19 Expenses

Operating lease
Payments (excluding costs for services and insurance) made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation, in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in surplus or deficit over the term of the lease as an integral part of the total lease expense.

Finance lease
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable
Interest payable and similar charges include interest payable and finance charges on finance leases.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in surplus or deficit as they accrue, using the effective interest method.

1.20 Taxation

Tax on the surplus or deficit for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable surpluses.

1.21 Service charge sinking funds

Service charge sinking funds are recognised as creditors. Part of the service charge is retained in a sinking fund for major repairs. Interest is added annually to the fund.

1.22 Value added tax (VAT)

The Association is included in a Group VAT registration which also includes Gentoo Services Limited. Gentoo Homes Limited and Gentoo Developments Limited both have separate VAT registrations. Gentoo Genie Limited is not VAT registered.

A large proportion of the Group's income, including rents, is exempt from VAT. The majority of expenditure is subject to VAT which cannot be reclaimed, and expenditure is therefore shown inclusive of VAT. Partial exemption has been obtained for some business activities and the VAT recovered is credited to the statement of comprehensive income.

1.23 HomeBuy and other equity loans

The Group operated two loan schemes by lending a percentage of the cost to home purchasers. The schemes are now closed to new participants.

HomeBuy Direct Scheme
This is a low cost home ownership Government initiative. The Group and the Government provided assistance through an equal equity loan contribution to the purchaser, secured against the property. The loan is repaid as a result of a relevant event or on the 25th anniversary of the date of the loan agreement. The loan is interest free for the first five years. At the beginning of year six, interest becomes payable on the outstanding balance. The loans are reviewed annually for impairment. Redemption proceeds are allocated equally between the Group and the Government with any surplus or loss being recognised through the statement of comprehensive income.

Gentoo Homebuyer Loan Scheme
This is a low cost home ownership Group initiative. The Group provided assistance through a fixed loan contribution to the purchaser, secured against the property. The loan is repaid as a result of a relevant event or at the end of the 10th year of the date of the loan agreement. The loan is interest free for the first five years. At the beginning of year six, interest becomes payable on the outstanding balance. The loans are reviewed annually for impairment. Any loss on redemption is recognised through the statement of comprehensive income.

2a. Particulars of turnover, cost of sales, operating expenditure and operating surplus / (deficit)

Group	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Other operating income £'000	Surplus on disposal £'000	2020 Operating surplus / (deficit) £'000
Social housing lettings (note 2b)	119,427	-	(94,476)	-	-	24,951
Other social housing activities:						
Charge for support services	297	-	(1000)	-	-	(703)
Other	6	-	(322)	-	-	(316)
First tranche low cost home ownership sales	939	(939)	-	-	-	-
Other social housing activities	1,242	(939)	(1,322)	-	-	(1,019)
Activities other than social housing activities:						
Properties developed for outright sale	43,979	(36,847)	(4,352)	-	-	2,780
Other	7,555	(65)	(7,348)	199	-	341
Non-social housing activities	51,534	(36,912)	(11,700)	199	-	3,121
Surplus on disposal of tangible assets	-	-	-	-	1,552	1,552
Total	172,203	(37,851)	(107,498)	199	1,552	28,605

2a. Particulars of turnover, cost of sales, operating expenditure and operating surplus / (deficit)

Group	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Other operating income £'000	Surplus on disposal £'000	2019 Operating surplus / (deficit) £'000
Social housing lettings (note 2b)	123,843	-	(96,103)	-	-	27,740
Other social housing activities:						
Charge for support services	169	-	(753)	-	-	(584)
Other	14	-	(519)	-	-	(505)
First tranche low cost home ownership sales	743	(743)	-	-	-	-
Other social housing activities	926	(743)	(1,272)	-	-	(1,089)
Activities other than social housing activities:						
Properties developed for outright sale	44,836	(36,418)	(2,085)	-	-	6,333
Other	7,540	(505)	(5,607)	370	-	1,798
Non-social housing activities	52,376	(36,923)	(7,692)	370	-	8,131
Surplus on disposal of tangible assets	-	-	-	-	2,146	2,146
Total	177,145	(37,666)	(105,067)	370	2,146	36,928

2a. Particulars of turnover, cost of sales, operating expenditure and operating surplus / (deficit)

Association	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Other operating income £'000	Surplus on disposal £'000	2020 Operating surplus / (deficit) £'000
Social housing lettings (note 2b)	**119,363**	**-**	**(94,535)**	**-**	**-**	**24,828**
Other social housing activities:						
Charge for support services	**171**	**-**	**(448)**	**-**	**-**	**(277)**
Other	**-**	**-**	**(2)**	**-**	**-**	**(2)**
First tranche low cost home ownership sales	**939**	**(939)**	**-**	**-**	**-**	**-**
Other social housing activities	**1,110**	**(939)**	**(450)**	**-**	**-**	**(279)**
Activities other than social housing activities:						
Other	**7,181**	**(3)**	**(7,435)**	**-**	**-**	**(257)**
Non-social housing activities	**7,181**	**(3)**	**(7,435)**	**-**	**-**	**(257)**
Surplus on disposal of tangible assets	**-**	**-**	**-**	**-**	**1,552**	**1,552**
Total	**127,654**	**(942)**	**(102,420)**	**-**	**1,552**	**25,844**

Association	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Other operating income £'000	Surplus on disposal £'000	2019 Operating surplus / (deficit) £'000
Social housing lettings (note 2b)	123,725	-	(96,134)	-	-	27,591
Other social housing activities:						
Other	1	-	-	-	-	1
First tranche low cost home ownership sales	743	(743)	-	-	-	-
Other social housing activities	744	(743)	-	-	-	1
Activities other than social housing activities:						
Properties developed for outright sale	265	(160)	(46)	-	-	59
Other	8,224	(1)	(6,011)	25	-	2,237
Non-social housing activities	8,489	(161)	(6,057)	25	-	2,296
Surplus on disposal of tangible assets	-	-	-	-	2,146	2,146
Total	132,958	(904)	(102,191)	25	2,146	32,034

2b. Particulars of turnover and expenditure from social housing lettings

Group	General needs housing £'000	Supported Housing and housing for older people £'000	Shared ownership £'000	2020 Total £'000	2019 Total £'000
Income					
Rent receivable net of identifiable service charges	116,137	1,023	191	117,351	121,539
Service charge income	1,666	287	-	1,953	2,188
Net rents receivable	117,803	1,310	191	119,304	123,727
Amortised Government grants	123	-	-	123	116
Turnover from social housing lettings	117,926	1,310	191	119,427	123,843
Operating expenditure					
Management	(20,353)	(203)	-	(20,556)	(21,565)
Service charge costs	(2,711)	(402)	-	(3,113)	(2,635)
Routine maintenance	(26,247)	-	-	(26,247)	(25,035)
Planned maintenance	(7,711)	-	-	(7,711)	(10,563)
Major repairs expenditure	(8,490)	-	-	(8,490)	(4,533)
Bad debts	(1,144)	-	-	(1,144)	(817)
Depreciation of housing properties	(26,613)	-	-	(26,613)	(24,987)
Pension past service costs	-	-	-	-	(5,800)
Other costs (redundancy)	(602)	-	-	(602)	(168)
Operating expenditure on social housing lettings	(93,871)	(605)	-	(94,476)	(96,103)
Operating surplus on social housing lettings	24,055	705	191	24,951	27,740
Rent losses from voids (being rental income lost as a result of a property not being let)	(1,618)	(28)	-	(1,646)	(1,352)

2b. Particulars of turnover and expenditure from social housing lettings

Association	General needs housing £'000	Supported Housing and housing for older people £'000	Shared ownership £'000	2020 Total £'000	2019 Total £'000
Income					
Rent receivable net of identifiable service charges	116,118	1,023	191	117,332	121,493
Service charge income	1,621	287	-	1,908	2,116
Net rents receivable	117,739	1,310	191	119,240	123,609
Amortised Government grants	123	-	-	123	116
Turnover from social housing lettings	117,862	1,310	191	119,363	123,725
Operating expenditure					
Management	(20,307)	(203)	-	(20,510)	(21,490)
Service charge costs	(2,711)	(402)	-	(3,113)	(2,635)
Routine maintenance	(26,332)	-	-	(26,332)	(25,035)
Planned maintenance	(7,626)	-	-	(7,626)	(10,563)
Major repairs expenditure	(8,490)	-	-	(8,490)	(4,533)
Bad debts	(1,141)	-	-	(1,141)	(815)
Depreciation of housing properties	(26,721)	-	-	(26,721)	(25,095)
Pension past service cost	-	-	-	-	(5,800)
Other costs (redundancy)	(602)	-	-	(602)	(168)
Operating expenditure on social housing lettings	(93,930)	(605)	-	(94,535)	(96,134)
Operating surplus on social housing lettings	23,932	705	191	24,828	27,591
Rent losses from voids (being rental income lost as a result of a property not being let)	(1,604)	(28)	-	(1,632)	(1,342)

3. Employees

The average number of persons (expressed as full time equivalents) employed during the year, analysed by category, was as follows:

	Group 2020 No.	**Association 2020 No.**	Group 2019 No.	Association 2019 No.
Executive directors and key management personnel	**5**	**5**	5	5
Managing housing services	**349**	**346**	351	351
Repairs and maintenance	**429**	**429**	441	441
Central enabling services	**146**	**146**	151	150
Development and selling homes	**89**	**9**	82	-
Other operations	**37**	**15**	38	-
Apprentices	**29**	**28**	27	24
	1,084	**978**	1,095	971

The aggregate payroll costs of these persons were as follows:

	Group 2020 £'000	**Association 2020 £'000**	Group 2019 £'000	Association 2019 £'000
Wages and salaries	**33,418**	**29,595**	32,279	27,964
Social security costs	**3,228**	**2,828**	3,090	2,648
Costs related to:				
Group wide defined benefit plan – current service cost	**10,750**	**10,750**	10,240	10,240
Group wide defined benefit plan – exceptional past service cost *	**-**	**-**	5,800	5,800
Recharges to other group companies	**-**	**(794)**	-	(944)
	10,750	**9,956**	16,040	15,096
Defined contribution plan	**94**	**62**	66	40
	47,490	**42,441**	51,475	45,748
Redundancy costs	**644**	**602**	237	184
	48,134	**43,043**	51,712	45,932

*Relates to "The McCloud Judgement", see page 70.

Pension Schemes - Group and Association

The disclosures below relate to the Tyne and Wear Pension Fund (the 'Fund') which is part of the Local Government Pension Scheme. The Group participates in the Fund which provides defined benefits, based on members' career average pensionable salary. The last full actuarial valuation was performed on 31 March 2019.

Net pension asset / (liability)	2020 £'000	2019 £'000
Defined benefit obligation	(292,970)	(298,600)
Plan assets	293,430	287,100
Restriction for asset ceiling*	(460)	-
Net pension asset / (liability)	-	(11,500)

Movements in present value of defined benefit obligation	2020 £'000	2019 £'000
At 1 April	298,600	279,180
Current service cost	10,750	10,240
Exceptional past service cost *(See "The McCloud Judgement", page 70)*	-	5,800
Interest expense	7,370	7,190
Contributions by members	2,080	2,010
Actuarial (gain) / loss on scheme liabilities	(15,850)	1,710
Benefits paid	(9,980)	(7,530)
At 31 March	292,970	298,600

Movements in fair value of plan assets	2020 £'000	2019 £'000
At 1 April	287,100	261,360
Interest income	7,210	6,830
Remeasurement: return on plan assets less interest income	(3,540)	14,620
Contributions by employer	10,560	9,810
Contributions by members	2,080	2,010
Benefits paid	(9,980)	(7,530)
At 31 March	293,430	287,100

Expense recognised in the statement of comprehensive income	2020 £'000	2019 £'000
Current service cost	(10,750)	(10,240)
Exceptional past service cost *(See "The McCloud Judgement", page 70)*	-	(5,800)
Net interest on net defined benefit liability	(160)	(360)
Total expense recognised in the statement of comprehensive income	(10,910)	(16,400)

*The asset is restricted to comply with FRS 102 paragraph 28. An entity shall recognise a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. These criteria are not considered to be met, therefore, an asset has not been recognised.

	2020 £'000	2019 £'000
Actuarial gain in respect of pension asset	**12,310**	12,910
Adjustment in respect of asset ceiling	**(460)**	-
Total amount recognised in other comprehensive income	**11,850**	12,910

The fair value of the plan assets and the return on those assets were as follows:

	2020 Fair value £'000	2020 Fair value %	2019 Fair value £'000	2019 Fair value %
Equities	**160,800**	**54.8**	186,615	65.0
Government bonds	**12,031**	**4.1**	11,771	4.1
Corporate bonds	**44,895**	**15.3**	33,591	11.7
Property	**26,409**	**9.0**	25,265	8.8
Cash	**6,749**	**2.3**	7,752	2.7
Other	**42,546**	**14.5**	22,106	7.7
	293,430	**100**	287,100	100.0

The principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2020 %	2019 %
Discount rate	**2.3**	2.5
Future salary increases	**3.4**	3.6
RPI inflation	**2.9**	3.2
CPI inflation	**1.9**	2.1
Pension increases	**1.9**	2.1
Pension accounts revaluation rate	**1.9**	2.1

	£'000	£'000
Actual return on plan assets	**3,670**	21,450

In valuing the liabilities of the pension fund at 31 March 2020, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the statement of financial position date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.8 years (male), 25.0 years (female).
- Future retiree upon reaching 65: 23.5 years (male), 26.8 years (female).

The McCloud Judgement

In December 2018 the Court of Appeal ruled against the Government in the 'McCloud/Sargeant' judgement which found that the transitional protection arrangements put in place when the firefighters' and judges' pension schemes were reformed were age discriminatory. The ruling potentially had implications for all public sector schemes which were reformed around the same time and could lead to members who were discriminated against being compensated. It was deemed appropriate for all entities with a LGPS pension scheme to include an estimated liability in their 31 March 2019 accounts where this was material. The estimated liability representing the cumulative backdating of the impact of The McCloud Judgement up to 31 March 2019 was £5.8m, which was treated as an exceptional past service cost.

The Ministry of Housing, Communities and Local Government (MHCLG) has now published its consultation, which will run until 8 October 2020, on proposals to remove age discrimination from the LGPS in England and Wales. MHCLG's consultation proposes to bring the LGPS in line with the government's commitment to remove the differences in treatment from all public service pension schemes with similar protections. The consultation seeks to change the basis of the calculation for the impact of McCloud on the beneficiaries to LGPS.

At the year end, the basis of calculation of the LGPS liability included an assessment for the impact of McCloud based on the information available at that time. Although there is likely to be a change to the pension liability following the completion of the consultation, there is currently insufficient information available to form the basis of any calculations. As a reliable estimate cannot therefore be made of the impact to the pension liability no further adjustment has been made as at 31 March 2020. Due to the timing of the consultation, any resulting changes will be reflected in the pension liability at 31 March 2021.

4. Directors' and key management personnel remuneration

	2020 £'000	2019 £'000
Non-Executive Directors' remuneration	**143**	136
Executive Directors' and key management personnel remuneration	**734**	609
Association contributions to group wide defined benefit plan	**102**	103
Association contributions to defined contribution plan	**19**	8
Compensation for loss of office *	**35**	35
Amounts paid to third parties in respect of directors' services	**-**	115
	1,033	1,006

*Being payment in lieu of notice.

Retirement benefits are accruing to three (2019: three) of the above senior staff under a defined benefit scheme and two (2019: one) of the above senior staff under a defined contribution scheme. The aggregate remuneration (excluding pension contributions) of the highest paid director was £223,108 (2019: £138,815).

The Group made £12,271 (2019: £nil) in pension contributions for the Chief Executive. In 2019 the Group made £nil pension contributions for the outgoing Interim Chief Executive.

Board Member	Board role	**2020 Remuneration £'000**	2019 Remuneration £'000
Alison Fellows	Non-Executive Director	**10**	1
Barry Curran	Non-Executive Director	**-**	2
Brian Spears	Non-Executive Director	**12**	12
Carol Long	Non-Executive Director	**10**	7
Christopher Watson	Non-Executive Director	**11**	10
Colin Blakey	Non-Executive Director	**12**	15
Colin English	Non-Executive Director	**1**	9
David Murtagh	Non-Executive Director	**15**	14
Emily Cox, MBE	Non-Executive Director	**10**	1
Frank Nicholson	Non-Executive Director	**8**	10
Keith Loraine, OBE	Chairman	**24**	24
Leslie Herbert	Non-Executive Director	**11**	12
Michael Essl	Non-Executive Director	**9**	-
Mary Coyle	Non-Executive Director	**-**	7
Paul Stewart	Non-Executive Director	**-**	2
Philip Tye	Non-Executive Director	**10**	10
Total		**143**	136

Salary banding for directors and key management personnel whose total remuneration, including pensions, exceeds £60,000 per annum is as follows:

		2020 No.			2019 No.
£70,001 - £80,000		**-**	£70,001 - £80,000	Nigel Wilson (1)	1
£110,001 - £120,000		**-**	£110,001 - £120,000	David Jepson (2)	1
£140,001 - £150,000		**-**	£140,001 - £150,000	Graham Gowland	1
£150,001 - £160,000	**Louise Bassett**	**1**	£150,001 - £160,000	Louise Bassett Michelle Meldrum Nigel Tooby	3
£160,001 - £170,000	**Michelle Meldrum** **Graham Gowland**	**2**	£160,001 - £170,000		-
£170,001 - £180,000	**Peter Lenehan**	**1**	£170,001 - £180,000		-
£230,001 - £240,000	**Nigel Wilson**	**1**	£230,001 - £240,000		-

(1) Chief Executive appointed 02/01/2019

(2) Interim Chief Executive remunerated via a third party

5. Surplus on disposal of tangible fixed assets

	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Proceeds from sales	**6,264**	**6,264**	9,704	9,704
Net book value of assets sold	**(4,668)**	**(4,668)**	(7,530)	(7,530)
	1,596	**1,596**	2,174	2,174
Transfer to recycled capital grant fund	**(44)**	**(44)**	(28)	(28)
	1,552	**1,552**	2,146	2,146

6. Interest receivable and similar income

	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Bank interest receivable	**27**	**27**	11	11
Interest receivable on treasury deposits	**54**	**54**	48	48
Interest receivable on fixed rate investments	**1,343**	**1,343**	1,386	1,386
Interest receivable from Group undertakings	**-**	**1,762**	-	1,871
	1,424	**3,186**	1,445	3,316

7. Interest payable and similar charges

	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Interest on loans repayable	**23,182**	**22,944**	24,053	23,864
Interest payable to group undertakings	**-**	**323**	-	407
Bank fees and similar charges	**228**	**228**	230	230
	23,410	**23,495**	24,283	24,501
Interest on pension liability	**160**	**160**	360	360
Interest payable and similar charges	**23,570**	**23,655**	24,643	24,861

8. Expenses and auditor's remuneration

	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Included in surplus are the following:				
Depreciation:				
Housing properties	**26,613**	**26,721**	24,987	25,095
Other tangible fixed assets	**1,617**	**1,602**	2,007	1,988
Impairment loss on other tangible fixed assets	**2,554**	**2,554**	-	-
Impairment loss on stock – properties under construction	**1,178**	**1,178**	-	-
Change in value of investment property	**550**	**550**	557	557
Fair value adjustment	**129**	**-**	82	-
Redundancy costs	**644**	**602**	237	184
Auditor's remuneration:				
Audit of these financial statements	**48**	**48**	47	47
Amounts receivable by the Association's auditor and its associates in the respect of:				
Audit of financial statements of subsidiaries of the Association	**24**	**-**	25	-
Audit-related assurance services	**34**	**34**	33	33
Other tax advisory services	**-**	**-**	42	42
All other services	**-**	**-**	5	5

9. Taxation

Total tax charge recognised in the statement of comprehensive income, other comprehensive income and equity

	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Current tax				
Current tax on income for the period	**205**	**205**	243	243
Adjustments in respect to prior periods	**23**	**23**	(6)	(6)
Total current tax	**228**	**228**	237	237

Reconciliation of effective tax rate

	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Surplus for the year	**6,264**	**6,980**	13,427	14,217
Tax at standard rate of 19% (2019: 19%)	**1,190**	**1,326**	2,551	2,701
Expenses not deductible	**58**	**1**	171	-
Charitable tax exemptions	**(1,017)**	**(1,122)**	(2,485)	(2,483)
Land remediation relief	**(26)**	**-**	-	-
Prior period adjustments	**23**	**23**	(6)	(6)
Deferred tax not recognised	**-**	**-**	6	25
Total tax charge included in profit or loss	**228**	**228**	237	237

In total, the Group and Association has an unrecognised deferred tax asset of £1.0m (2019: Group £0.8m and Association £0.8m).

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly.

10. Tangible fixed assets – housing properties

Group	Housing properties held for letting £'000	Shared ownership £'000	Housing properties under construction £'000	Garages held for letting £'000	Total £'000
Cost					
At 1 April 2019	1,197,423	7,155	2,749	1,376	1,208,703
Additions	-	1,410	10,208	-	11,618
Enhancements	32,766	-	-	-	32,766
Schemes completed	6,672	(30)	(6,642)	-	-
Disposals	(5,621)	-	-	-	(5,621)
Transferred from Stock	1,053	-	-	-	1,053
Transferred from DPF	-	-	(783)	-	(783)
At 31 March 2020	**1,232,293**	**8,535**	**5,532**	**1,376**	**1,247,736**
Depreciation					
At 1 April 2019	198,414	147	-	408	198,969
Depreciation charge for the year	26,593	-	-	20	26,613
Disposals	(974)	-	-	-	(974)
At 31 March 2020	**224,033**	**147**	**-**	**428**	**224,608**
Net book value					
At 31 March 2019	999,009	7,008	2,749	968	1,009,734
At 31 March 2020	**1,008,260**	**8,388**	**5,532**	**948**	**1,023,128**

Security

£899.6m (27,050 units) of completed properties net book value is held as security against debt (note 23).

Expenditure to works on existing properties (Group and Association)

	2020 £'000	2019 £'000
Amounts capitalised – enhancements	**32,766**	25,727
Amounts charged to statement of comprehensive income (note 2b)	**8,490**	4,533
	41,256	30,260

Association	Housing properties held for letting £'000	Shared ownership £'000	Housing properties under construction £'000	Garages held for letting £'000	Total £'000
Cost					
At 1 April 2019	1,202,872	7,517	2,750	1,226	1,214,365
Additions	-	1,819	10,208	-	12,027
Enhancements	32,766	-	-	-	32,766
Schemes completed	6,672	(30)	(6,642)	-	-
Disposals	(5,621)	-	-	-	(5,621)
Transferred from Stock	1,053	-	-	-	1,053
Transferred from DPF	-	-	(783)	-	(783)
At 31 March 2020	**1,237,742**	**9,306**	**5,533**	**1,226**	**1,253,807**
Depreciation					
At 1 April 2019	198,687	149	-	257	199,093
Depreciation charge for the year	26,701	-	-	20	26,721
Disposals	(974)	-	-	-	(974)
At 31 March 2020	**224,414**	**149**	**-**	**277**	**224,840**
Net book value					
At 31 March 2019	1,004,185	7,368	2,750	969	1,015,272
At 31 March 2020	**1,013,328**	**9,157**	**5,533**	**949**	**1,028,967**

11. Tangible fixed assets – other

Group	Land and buildings £'000	Furniture, fixtures and fittings £'000	Vehicles and equipment £'000	Total £'000
Cost				
At 1 April 2019	18,876	1,661	11,175	31,712
Additions	-	410	850	1,260
Disposals	(3)	(692)	(7,333)	(8,028)
Category Transfer	-	(141)	141	-
At 31 March 2020	**18,873**	**1,238**	**4,833**	**24,944**
Depreciation				
At 1 April 2019	5,751	788	8,614	15,153
Depreciation charge for the year	375	445	797	1,617
Disposals	-	(670)	(7,337)	(8,007)
Impairment	2,554	-	-	2,554
At 31 March 2020	**8,680**	**563**	**2,074**	**11,317**
Net book value				
At 31 March 2019	13,125	873	2,561	16,559
At 31 March 2020	**10,193**	**675**	**2,759**	**13,627**

An assessment of the net realisable value of land and buildings was undertaken during the year. As a result of this assessment an impairment charge of £2,554k (2019: £nil) was made.

The net book value of land and buildings comprises:

	2020 £'000	2019 £'000
Freehold	**7,871**	10,735
Long leasehold	**2,322**	2,390
	10,193	13,125

Association	Land and buildings £'000	Furniture, fixtures and fittings £'000	Vehicles and equipment £'000	Total £'000
Cost				
At 1 April 2019	19,027	1,693	10,856	31,576
Additions	-	410	850	1,260
Disposals	(3)	(692)	(7,333)	(8,028)
Category Transfer	-	(141)	141	-
At 31 March 2020	**19,024**	**1,270**	**4,514**	**24,808**
Depreciation				
At 1 April 2019	5,814	789	8,333	14,936
Depreciation charge for the year	381	445	776	1,602
Disposals	-	(670)	(7,337)	(8,007)
Impairment	2,554	-	-	2,554
At 31 March 2020	**8,749**	**564**	**1,772**	**11,085**
Net book value				
At 31 March 2019	13,213	904	2,523	16,640
At 31 March 2020	**10,275**	**706**	**2,742**	**13,723**

An assessment of the net realisable value of land and buildings was undertaken during the year. As a result of this assessment an impairment charge of £2,554k (2019: £nil) was made.

The net book value of land and buildings comprises:

	2020 £'000	2019 £'000
Freehold	**7,953**	10,823
Long leasehold	**2,322**	2,390
	10,275	13,213

12. Investment properties - Group and Association

	Freehold £'000
At 1 April 2019	12,593
Disposals	(1,184)
Fair value adjustment for investment property	(550)
At 31 March 2020	**10,859**

In accordance with FRS 102, investment properties are held at fair value and are not depreciated. During the year investment properties with a fair value of £1.184m were disposed of for £1.065m, generating a loss of (£119k).

£1.0m (2019: £5.2m) of investment property fair value is based on a valuation by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued. The directors value the remainder of the portfolio every year. The valuations, which are supported by market evidence, are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. Any gain or loss arising from a change in fair value is recognised in the statement of comprehensive income. Management have also reviewed the fair value of all investment properties as at 31 March 2020 and as a result of both valuations, a fair value decrease of £550k was required. The Directors consider the remaining carrying value of investment properties to be an appropriate fair value.

13. Other investments - Group and Association

	2020 £'000	2019 £'000
Debt Service Reserve	**33,323**	32,720
Other investments	**30**	30
	33,353	32,750

Debt Service Reserve	**Historical Cost £'000**	**Market Value £'000**
At 1 April 2019	25,218	32,720
Revaluation as at 31 March 2019	-	603
At 31 March 2020	**25,218**	**33,323**

At 31 March 2020, the investment assets (debt service reserve) are additional security for the £212.8m loan from T.H.F.C (see notes 18 and 22).

Association	**Investment in subsidiaries 2020 £'000**	Investment in subsidiaries 2019 £'000
Cost and net book value		
At 31 March	**350**	350

The Association has the following investments in subsidiaries:

Subsidiary undertakings	Aggregate of capital and reserves £'000	Profit for year £'000	Country of incorporation	Registered number	Class and percentage of shares held 2020
Non-registered providers					
Gentoo Homes Limited	977	260	England	04739226	Ordinary – 100%
Gentoo Developments Limited	39	1,410	England	06192887	Ordinary – 100%
Gentoo Genie Limited	(274)	1,719	England	07083129	Ordinary – 100%
Gentoo Genie Admin Limited*	100	-	England	08201449	Ordinary – 100%
Genie Homeplan Limited*	-	-	England	07103094	Ordinary – 100%
Gentoo Services Limited*	1	-	England	12521655	Ordinary – 100%

*Dormant subsidiaries

The subsidiaries' registered office is Emperor House, 2 Emperor Way, Doxford International Business Park, Sunderland, SR3 3XR.

14. HomeBuy loans receivable - Group and Association

	Total £'000
Loans advanced to borrowers at 31 March 2019	580
Repaid during the year	(46)
Loan advanced to borrowers at 31 March 2020	**534**

15. Stock

	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Properties under construction	**29,441**	**-**	38,191	-
Completed properties	**3,643**	**163**	6,010	164
Properties held for resale	**537**	**-**	494	-
Land held for development	**22,698**	**14,579**	19,314	19,314
Raw materials and consumables	**600**	**600**	481	481
	56,919	**15,342**	64,490	19,959

There are a number of developments that are funded by Homes England's Home Building Fund (HBF). This funding is secured by way of a first charge against the land to be developed, and is applicable to the following sites:

• Meadow View, Houghton-le-Spring • Lanchester Rise, Lanchester

• Bramblewood, Hetton-le-Hole

16. Debtors

	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Rents and service charges receivable	**8,178**	**8,178**	8,315	8,292
Less: provision for bad and doubtful debts	**(3,914)**	**(3,914)**	(3,464)	(3,464)
Net rent and service charge debtors	**4,264**	**4,264**	4,851	4,828
Trade debtors	**547**	**540**	376	351
Less: provision for bad debts and doubtful debts	**(15)**	**(12)**	(49)	(49)
Amounts owed by group undertakings	**-**	**10,650**	-	8,578
Other debtors	**2,712**	**2,656**	3,187	3,019
Cash held in secured accounts	**2,943**	**-**	6,116	-
Prepayments and accrued income	**8,921**	**7,756**	5,478	3,976
	19,372	**25,854**	19,959	20,703

17. Cash and cash equivalents

	Group 2020 £'000	Group 2019 £'000
Cash at bank and in hand	**31,031**	16,135
Bank overdraft (note 18)	**(23)**	(6)
Cash and cash equivalents per cash flow statement	**31,008**	16,129

18. Creditors: amounts falling due within one year

	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Bank overdraft	**23**	**-**	6	-
Commercial debt (note 23)	**12,623**	**12,623**	11,888	11,888
Other debt	**-**	**-**	998	-
Trade creditors	**3,376**	**2,573**	2,584	1,725
Rent and service charges received in advance	**2,719**	**2,719**	2,246	2,246
Taxation and social security	**641**	**639**	787	781
Other creditors	**3,833**	**3,532**	3,479	3,663
Amounts owed to group undertakings	**-**	**779**	-	-
Deferred capital grant (note 24)	**138**	**138**	-	-
Accruals and deferred income	**14,490**	**10,838**	10,764	6,435
Disposal proceeds fund (note 20)	**-**	**-**	779	779
Recycled capital grant fund (note 19)	**-**	**-**	16	16
	37,843	**33,841**	33,547	27,533

Leaseholders' funds

As at 31 March 2020 the Group and Association held funds on behalf of leaseholders in respect of schemes under management of £1.9m (2019: £1.8m). These are included in other creditors within Creditors: amounts falling due within one year.

19. Recycled Capital Grant Fund - Group and Association

	£'000
At 1 April 2019	**16**
Grants Recycled (note 24)	**37**
Grants Recycled from reserves	**7**
Recycling of grant: New build	**(18)**
Balance at 31 March 2020	**42**

There are no amounts (2019: £nil) three years old or older where repayment may be required

20.Disposal Proceeds Fund - Group and Association

		£'000
At 1 April 2019		**779**
Inputs to DPF:	Interest accrued	**4**
Use / allocation of funds:	New build	**(783)**
Balance at 31 March 2020		**-**

21. Debtors: amounts falling due after more than one year

	Group 2020 £'000	**Association 2020 £'000**	Group 2019 £'000	Association 2019 £'000
Other debtors	**700**	**700**	700	700
Amounts owed by group undertakings	**-**	**29,723**	-	37,449
Genie Home Purchase Plans (HPP)	**4,248**	**332**	5,273	344
Deferred income	**(873)**	**(116)**	(994)	(116)
	4,075	**30,639**	4,979	38,377

The HPP arrangements are valued at fair value. Management have reviewed the fair value of the HPP arrangements as at 31st March 2020 and, as a result of this, a Group fair value decrease of £129k (2019: £82k) was required. Deferred income relates to the difference between the cost of the property to the Group and the value it has been purchased by the customer. Deferred income is released to the statement of comprehensive income upon the Group no longer having a share in the property. Whilst some of the above balance may crystallise in under one year, it is not possible to reliably quantify, therefore, these amounts have been included in debtors due after more than one year.

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

	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Commercial debt (note 23)	**524,329**	**524,329**	525,226	525,226
Other debt (note 23)	**4,058**	**-**	3,939	-
Amounts owed to group undertakings	**-**	**-**	-	53,146
Deferred capital grant (note 24)	**17,661**	**17,661**	12,488	12,488
Other creditors	**12,110**	**12,110**	12,110	12,110
Recycled capital grant fund (note 19)	**42**	**42**	-	-
	558,200	**554,142**	553,763	602,970

The commercial loans are secured by way of a fixed charge on the housing properties of the Group. Interest is charged to the subsidiary companies based on the amounts that are on-lent during the year.

In September 2019 an amended and restated funding facility was agreed with Homes England which secured additional funding of £4.1m relating to one scheme via the Home Building Fund. The total agreed facility is £8.1m which includes funding for two schemes that was secured in March 2018. During 2019/20 £4.1m of funding has been drawn down and £4.9m has been subsequently repaid (£1m of which was due in less than one year) leaving an outstanding loan balance of £4.1m. The imputed interest on the loan reflects the market interest rates available to the Group. The loans have no fixed repayment dates and variable repayment amounts. Loan repayments are variable dependent upon actual sales performance however the ultimate repayment date is December 2022.

The commercial debt can be analysed as follows:

	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Due between one and two years:	**17,938**	**17,938**	16,561	12,622
Due between two and five years:	**92,287**	**88,229**	82,110	82,110
Due after more than five years:	**415,892**	**415,892**	427,949	427,949
Transaction fees	**2,270**	**2,270**	2,545	2,545
	528,387	**524,329**	529,165	525,226

23. Debt analysis

Maturity of debt

Group	Less than 1 year £'000	Due in 1-2 years £'000	Due in 2-5 years £'000	Due in over 5 years £'000	Total £'000
Revolver	-	-	-	25,000	25,000
Term	12,623	17,938	88,229	393,162	511,952
Other	-	-	4,058	-	4,058
At 31 March 2020	**12,623**	**17,938**	**92,287**	**418,162**	**541,010**
At 31 March 2019	12,886	16,561	82,110	430,494	542,051

Maturity of debt

Association	Less than 1 year £'000	Due in 1-2 years £'000	Due in 2-5 years £'000	Due in over 5 years £'000	Total £'000
Revolver	-	-	-	25,000	25,000
Term	12,623	17,938	88,229	393,162	511,952
At 31 March 2020	**12,623**	**17,938**	**88,229**	**418,162**	**536,952**
At 31 March 2019	11,888	12,622	82,110	430,494	537,114

Maturity of facilities

Group	Less than 1 year £'000	Due in 1-2 years £'000	Due in 2-5 years £'000	Due in over 5 years £'000	Total £'000
Revolver	1,885	2,050	27,255	29,140	**60,330**
Term	12,623	17,938	88,230	393,161	**511,952**
Other	-	-	4,058	-	**4,058**
At 31 March 2020	**14,508**	**19,988**	**119,543**	**402,301**	**576,340**
At 31 March 2019	14,626	18,446	108,800	449,249	591,121

Maturity of facilities

Association	Less than 1 year £'000	Due in 1-2 years £'000	Due in 2-5 years £'000	Due in over 5 years £'000	Total £'000
Revolver	1,885	2,050	27,255	29,140	**60,330**
Term	12,623	17,938	88,230	393,161	**511,952**
At 31 March 2020	**14,508**	**19,988**	**115,485**	**422,301**	**572,282**
At 31 March 2019	13,628	14,507	108,800	449,249	586,184

Interest rate analysis

Group and Association	Total £'000	Floating rate £'000	Fixed rate £'000	Fixed interest raget range %	Time fixed rate debt in years
Revolver	25,000	25,000	-	-	-
Term	516,009	158,679	357,330	1.2 – 6.4	22
At 31 March 2020	**541,009**	**183,679**	**357,330**		**22**
At 31 March 2019	542,051	180,444	361,607		23

24. Social Housing Grant – Group and Association

	Housing properties held for letting £'000	Housing properties under construction £'000	Shared ownership properties £'000	Total £'000
Cost				
At 1 April 2019	11,390	821	640	12,851
Received during the year	-	5,453	-	5,453
Transferred from RCGF	-	18	-	18
Schemes completed	1,441	(2,001)	560	-
Recycled on disposal	(37)	-	-	(37)
At 31 March 2020	**12,794**	**4,291**	**1,200**	**18,285**
Amortisation				
At 1 April 2019	363	-	-	363
Released in the year	123	-	-	123
At 31 March 2020	**486**	**-**	**-**	**486**
At 31 March 2019	11,027	821	640	12,488
At 31 March 2020	**12,308**	**4,291**	**1,200**	**17,799**

25. Capital commitments – Group and Association

	2020 £'000	2019 £'000
Expenditure contracted for but not provided for in the financial statements	**58,701**	80,964
Expenditure authorised by Board but not contracted	**321,259**	188,999
	379,960	269,963

The commitments will be funded through Grant £57.5m (2019: £25.0m), social housing property Right to Buy and Right to Acquire sales £30.1m (2019: £42.8m), existing facilities £71.3m (2019: £70.2m) and cash generated from operations and new facilities £221.1m (2019: £132.0m).

26. Contingent Liabilities

Grant

The Group receives grant from Homes England which is used to fund the acquisition and development of housing properties and their components. In line with FRS 102, Section 24, £49.2m (2019: £49.1m) of such grant has been credited to reserves. The Group has a future obligation to recycle or repay such grant once these properties are disposed of. As at 31 March 2020 the timing of any future disposal is uncertain.

27. Other financial commitments

Non-cancellable operating lease rentals are payable as follows:

Group	**2020 Land and buildings £'000**	**2020 Other £'000**	2019 Land and buildings £'000	2019 Other £'000
Less than one year	**94**	**1,190**	113	636
Between one and five years	**-**	**2,101**	94	858
More than five years	**-**	**144**	-	215
	94	**3,435**	207	1,709

During the year £1,342k was recognised as an expense in the statement of comprehensive income in respect of operating leases (2019: £1,306k).

Association	**2020 Land and buildings £'000**	**2020 Other £'000**	2019 Land and buildings £'000	2019 Other £'000
Less than one year	**94**	**1,107**	113	532
Between one and five years	**-**	**1,822**	94	569
	94	**2,929**	207	1,101

During the year £1,321k was recognised as an expense in the statement of comprehensive income in respect of operating leases (2019: £1,271k).

28. Related parties

Identity of related parties with which the Association has transacted

The Board as at 31 March 2020 includes two members who are elected members of the Sunderland City Council ('Local Authority' (LA)). The Association and Group undertake transactions with the LA on an arm's length basis in the normal course of business.

	2020 £'000	2019 £'000
Transactions with the LA during the year ended 31 March 2020 were:		
Sales to the LA	**475**	836
Purchases from the LA	**1,029**	63

	Receivables outstanding 2020 £'000	**Creditors and accruals 2020 £'000**	Receivables outstanding 2019 £'000	Creditors 2019 £'000
Local Authority	**39**	**18**	71	42

The Board also includes one member who is a tenant of the Association. In addition, a Board member's close family member is a tenant of the Association and the former Executive Director (Operations) has two close family members who are joint tenants of the Association. The terms of the tenancy arrangements are consistent with those offered to other tenants of the Association and at the end of the year no amount was due to the Association in respect of these tenancies.

29. Analysis of Intra-group transactions

Intra-group trading is undertaken at arm's length and is predominantly tender or market driven. During the year intra-group transactions with non-regulated group subsidiaries were:

	Sales to 2020 £'000	**Purchases from 2020 £'000**	Sales to 2019 £'000	Purchases from 2019 £'000
Gentoo Homes Limited				
Group management charges	**729**	**-**	828	-
Gentoo renewal plan	**-**	**5,102**	-	4,248
Group interest charges	**1,560**	**-**	1,535	-
Developments interest charges	**74**	**-**	-	-
	2,363	**5,102**	2,363	4,248
Gentoo Developments Limited				
Homes interest charges	**-**	**74**	-	-
Group interest charges	**-**	**-**	90	-
	-	**74**	90	-
Gentoo Genie Limited – interest charge	**203**	**-**	247	-
Gentoo Art of Living – interest payment	**-**	**-**	-	407
	2,566	**5,176**	2,700	4,655

30. Accounting estimates and judgements

Estimation uncertainty

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

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to circumstances which may require more frequent replacement of key components.

Defined benefit obligation (DBO)

Other judgement areas particularly in respect of financial and actuarial assumptions are based on best estimates derived from the Group's policies and practices which have been applied consistently across all pension schemes operated by the Group where appropriate, and confirmed with actuaries where these are beyond management expertise, e.g. mortality tables have been chosen based on published research by the Continuous Mortality Investigation Bureau of the Institute of Actuaries and Faculty of Actuaries. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in note 3). At 31 March 2020, in order to reflect the impact of proposals by the UK Chancellor and the UK Statistics Authority (UKSA) to align RPI with CPIH (a variant of the Consumer Prices Index that includes an estimate of housing costs), the CPI assumption methodology was reassessed. In particular, the assumed long term gap between RPI inflation and CPI inflation was reduced from 1.1% at the prior year end to 0.6% at this year end. The impact of this change is expected to have resulted in a £36m increase in the Fund's liabilities since the prior year end.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices.

Valuation of work in progress and land held for development

Stock is carried at the lower of cost and net realisable value. Net realisable value represents the estimated selling price (in the ordinary course of business) less all estimated costs of completion and overheads. Valuations of site/phase work in progress are carried out at regular intervals and estimates of the cost to complete a site/phase and estimates of anticipated revenues are required to enable a development profit to be determined. Management are required to employ considerable judgement in estimating the profitability of a site/phase and in assessing any impairment provisions which may be required. For both financial years, a full review of stock has been performed with an impairment being considered necessary for the year ended 31 March 2020. Estimated selling prices and costs have been reviewed on a site by site/phase by phase basis and have been amended based on local management and the Board's assessment of current market conditions. For the years ended 31 March 2020 an impairment charge of £1.178m (2019: £nil) has resulted from the review.

Gross profit recognition

Gross profit for completed house sales is recognised based on the latest whole site/phase gross margin which is an output of the site/phase valuation. These valuations, which are updated at frequent intervals throughout the life of the site/phase, use actual and forecast selling prices, land costs and construction costs and are sensitive to future movements in both the estimated cost to complete and expected selling prices. Forecast selling prices are inherently uncertain due to changes in market conditions.

31. Transfer of engagements - Association

On 4th November 2019 all assets and liabilities of Gentoo Art of Living transferred to Gentoo Group Limited by means of a transfer of engagements.

	2020 £'000
Current Assets	
Debtors	**52,301**
Cash at bank and in hand	**3,562**
	55,863
Creditors: amounts falling due within one year	**(3)**
Net assets	**55,860**
Capital and reserve	
Revenue reserve	**55,860**

Included within Debtors is an intercompany balance of £52.3m due from Gentoo Group Limited which was cancelled as a result of the transfer of engagements.

32. Housing stock

	Group at 2019	Units developed or acquired	Units sold or demolished	Other movements	Group at 2020
Social housing: owned and managed					
General needs social rent	27,011	-	(128)	(19)	**26,864**
Intermediate rent	71	-	-	-	**71**
Affordable rent	1,278	137	(3)	-	**1,412**
Shared ownership	153	16	(1)	-	**168**
Houses for older people	191	-	-	-	**191**
Houses for older people – affordable rent	42	-	-	-	**42**
Supported housing	60	-	-	(7)	**53**
Supported housing – affordable rent	1	-	-	-	**1**
Total social housing: owned and managed	**28,807**	**153**	**(132)**	**(26)**	**28,802**
Social housing: managed not owned					
General housing social rent	5	-	-	-	**5**
Supported housing	12	-	-	-	**12**
Leasehold schemes – freehold retained	741	-	-	(25)	**716**
Total social housing: managed not owned	**758**	**-**	**-**	**(25)**	**733**
Social housing: owned not managed					
General housing social rent	16	-	-	-	16
Supported housing	56	-	-	26	82
Total social housing: owned not managed	**72**	**-**	**-**	**26**	**98**
Total social housing stock	**29,637**	**153**	**(132)**	**(25)**	**29,633**
Non-social housing: owned and managed					
Rented owned	68	-	(5)	-	63
Non-social housing: managed not owned					
Leasehold schemes – freehold retained	247	-	-	(21)	226
Total non-social housing stock	**315**	**-**	**(5)**	**(21)**	**289**
Total housing stock	**29,952**	**153**	**(137)**	**(46)**	**29,922**

	Association at 2019	Units developed or acquired	Units sold or demolished	Other movements	Transfer of engagements	Association at 2020
Social housing: owned and managed						
General needs social rent	27,011	-	(128)	(19)	-	**26,864**
Intermediate rent	71	-	-	-	-	**71**
Affordable rent	1,278	137	(3)	-	-	**1,412**
Shared ownership	153	16	(1)	-	-	**168**
Houses for older people	191	-	-	-	-	**191**
Houses for older people – affordable rent	42	-	-	-	-	**42**
Supported housing	60	-	-	(7)	-	**53**
Supported housing – affordable rent	1	-	-	-	-	**1**
Total social housing: owned and managed	**28,807**	**153**	**(132)**	**(26)**	**-**	**28,802**
Social housing: managed not owned						
General housing social rent	5	-	-	-	-	**5**
Supported housing	-	-	-	-	12	**12**
Leasehold schemes – freehold retained	741	-	-	(25)	-	**716**
Total social housing: managed not owned	**746**	**-**	**-**	**(25)**	**12**	**733**
Social housing: owned not managed						
General housing social rent	16	-	-	-	-	**16**
Supported housing	56	-	-	26	-	**82**
Total social housing: owned not managed	**72**	**-**	**-**	**26**	**-**	**98**
Total social housing stock	**29,625**	**153**	**(132)**	**(25)**	**12**	**29,633**
Non-social housing: owned and managed						
Rented owned	68	-	(5)	-	-	**63**
Non-social housing: managed not owned						
Leasehold schemes – freehold retained	247	-	-	(21)	-	**226**
Total non-social housing stock	**315**	**-**	**(5)**	**(21)**	**-**	**289**
Total housing stock	**29,940**	**153**	**(137)**	**(46)**	**12**	**29,922**

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