Co-operative and Community Benefit Society (FCA) No 30045R

Regulator of Social Housing No L4465

Great Places Housing Group Limited

Report and Financial Statements

For the Year ended 31 March 2019

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GREAT PLACES HOUSING GROUP LIMITED
Year ended 31 March 2019
ASSOCIATION INFORMATION

Board

Chair	A. Davison
Deputy Chair	J. Rayner
Other Members	C. Amyes (from 18/10/2018)
	C. Cashman
	J. Fitzgerald
	J. Green
	M. Hanson (from 18/10/2018)
	M. Harrison
	B. Nevin
	D. Robinson
	S. Young

Executive Directors

Chief Executive	M. Harrison
Executive Director of Finance and Company Secretary	P. Elvy
Executive Director of Growth and Assets	P. Bojar
Executive Director of Customer Services	G. Cresswell
Executive Director of People and Culture	A. Dean (from 01/04/2019)

Registered office: 2a Derwent Avenue
Manchester
M21 7QP

Web site: www.greatplaces.org.uk

Registered Numbers: Regulator of Social Housing No: L4465
Co-operative and Community Benefit Society No: 30045R

External Auditors:	**Internal Auditors:**	**Bankers:**
BDO LLP	PwC	The Royal Bank of Scotland plc
3 Hardman Street	No. 1	P.O. Box 356
Spinningfields	1 Hardman Street	38 Mosley Street
Manchester	Manchester	Manchester
M3 3AT	M3 3EB	M60 2BE

GREAT PLACES HOUSING GROUP LIMITED

Year ended 31 March 2019

REPORT OF THE CHAIR

In 2018/19 the Group generated turnover of close to £110m and a surplus of just below £14m. We exceeded our target for 11 out of 12 Critical Success Factors (beating stretch targets on 5 of them), with excellent performance in many measures including the percentages of customer contacts which are digital, the percentage of repairs completed right first time and our building greatness savings total.

We received an In Depth Assessment from the Regulator in July 2018 and Great Places once again achieved G1 and V1 ratings. This, alongside the re-affirmation of our credit ratings with both Moody's (A3 stable) and Fitch (A+ stable) shows that we're effectively managing the risks facing our business.

Another great achievement during the year was being one of the first wave of Registered Providers to enter into a landmark partnership with Homes England to build additional social and affordable homes across the North over the next four years. Great Places is now able to access an additional £29m grant to help deliver 750 more homes than we originally planned, taking our total delivery over 2,800 by 2022.

Great Places is one of ten housing associations in Greater Manchester that have joined with the Greater Manchester Combined Authority to invest a total of £30m in a new joint venture ("Hive Homes") designed to deliver additional homes in the North West region. We are also well advanced in proposals for a similar joint venture in the Sheffield City region.

As part of Greater Manchester Mayor Andy Burnham's "A Bed Every Night" ("ABEN") provision, we were delighted to provide a night shelter for rough sleepers in Trafford. Working in close partnership with Trafford Council, Trafford Housing Trust and Housing Options Service, the accommodation offers ten beds, along with bathroom and basic kitchen facilities.

Great Places has been chosen as Accountable Body to lead the eight-strong consortium that will deliver against the Greater Manchester Housing First three year pilot project. Housing First is an internationally evidence-based approach, which uses independent, stable housing as a platform to enable individuals with multiple and complex needs to begin recovery and move away from homelessness.

We are working tirelessly to improve our digital offer and have introduced enhanced webchat functionality and more recently launched our new and improved "Report a Repair" web page.

I'm really pleased to welcome two new members to the Group Board, Christine Amyes and Mike Hanson, and also a new Board member for Cube, Emma Prichard-Selby.

We are also thrilled to announce that we have been chosen by the Board of management at Equity Housing Group Limited as its preferred partner to form a long term legal partnership.

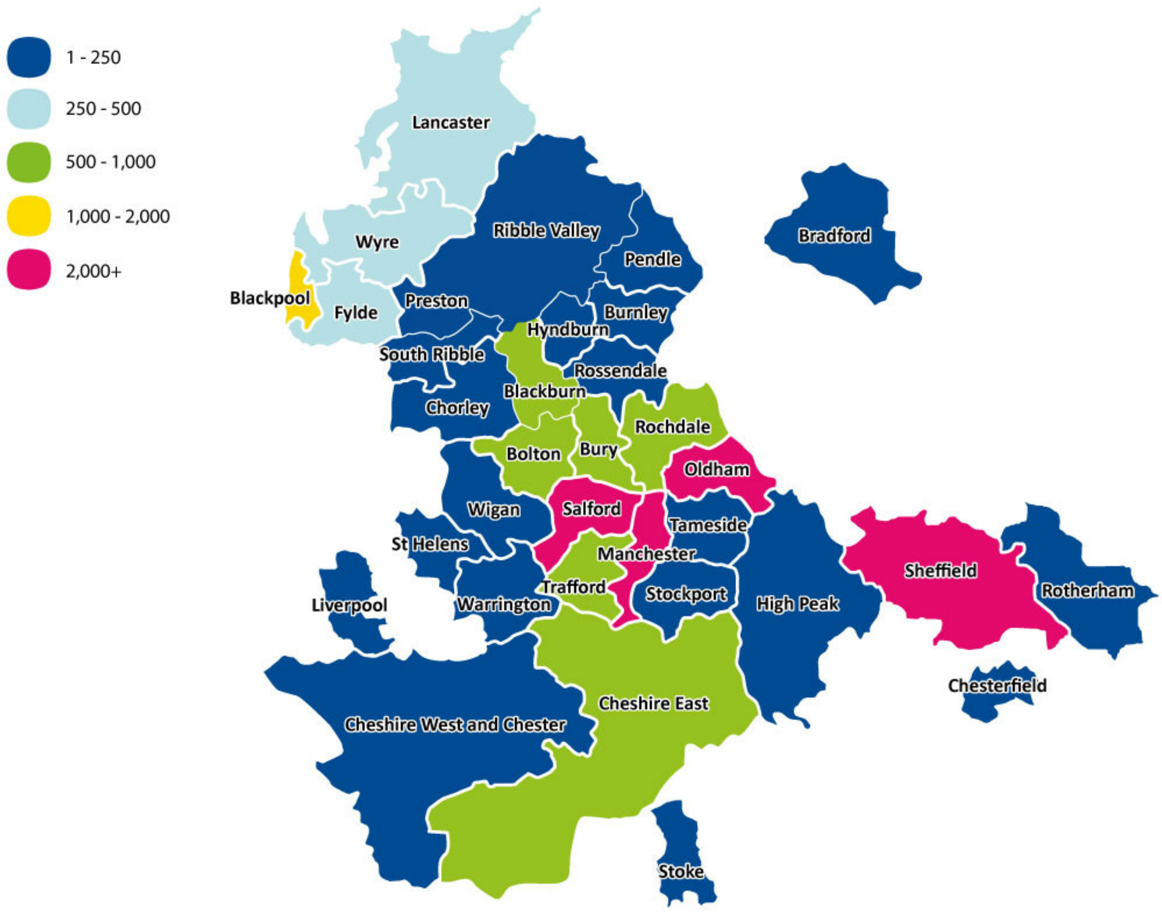
Tony Davison
Chair

GREAT PLACES HOUSING GROUP LIMITED

Year ended 31 March 2019

STRATEGIC REPORT AND REPORT OF THE BOARD

Great Places Housing Group Limited ("GPHG" or "the Group") is a not-for-profit organisation which seeks to provide outstanding customer service and which manages over 19,000 homes in 33 local authority areas across the North West and Yorkshire, as shown on the map below. The Group has particular concentrations in Manchester, Salford, Sheffield, Oldham, Blackpool and Blackburn – these six local authority areas include almost two-thirds of the Group's properties. We aim to build thriving neighbourhoods and to transform the lives of our residents.



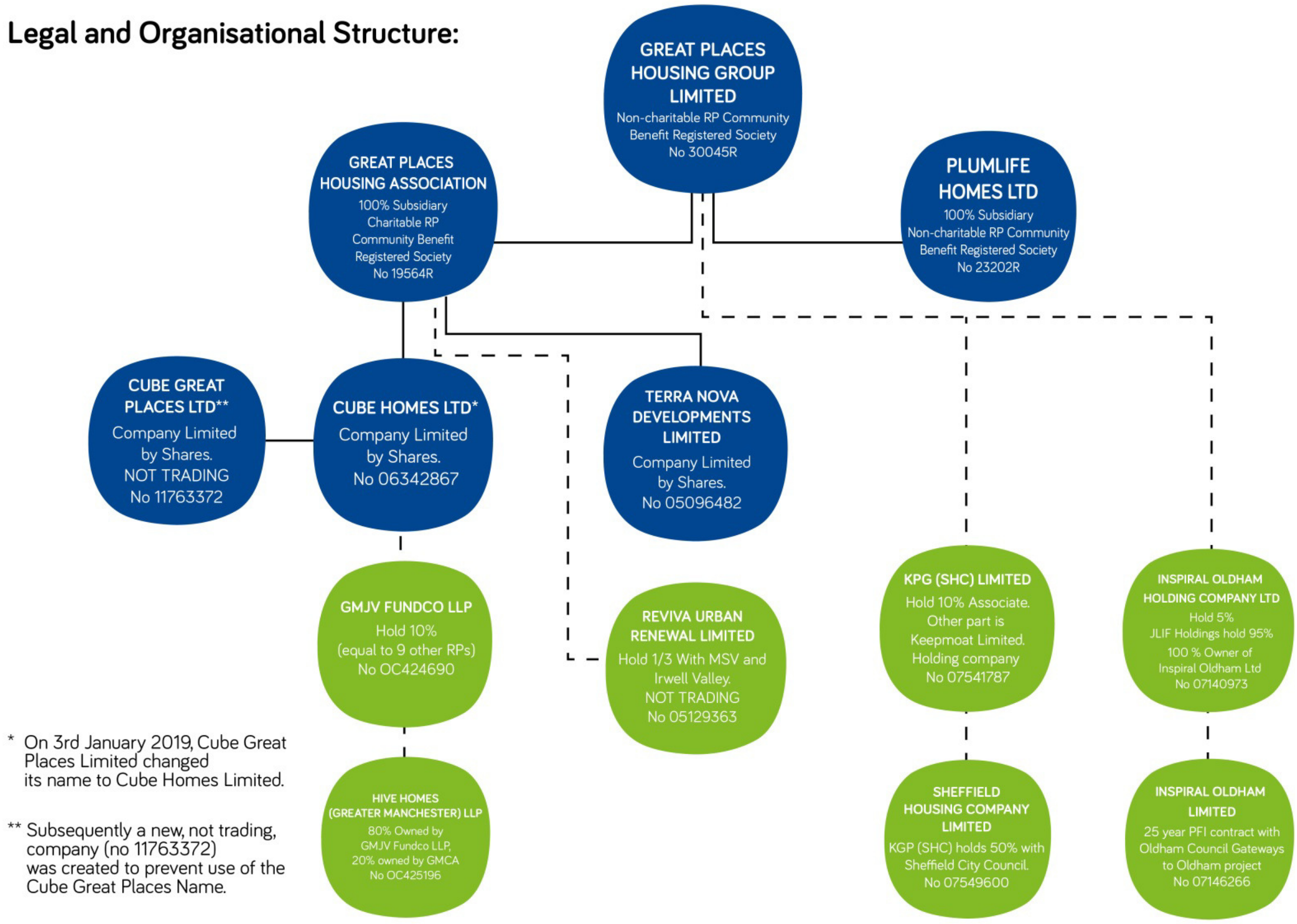
The Group comprises the non asset owning, non charitable parent ("The Association"), which is a Co-operative and Community Benefit Society ("CCBS"), together with two subsidiaries:

- Great Places Housing Association ("GPHA"), a CCBS with charitable status; and
- Plumlife Homes Limited ("Plumlife"), a CCBS not having charitable status.

GPHA has two active third tier subsidiaries: Cube Homes Limited ("Cube") and Terra Nova Developments Limited ("Terra Nova"). The Group is also involved in two joint venture companies and one associate company as shown in the structure chart overleaf. Cube itself has a wholly owned subsidiary, Cube Great Places Limited and is also involved in a joint venture with other Greater Manchester housing providers to build homes commercially.

Whilst GPHG has ultimate control, GPHA has responsibility for the management of the Group's general needs and supported housing properties. Plumlife is responsible for low-cost home ownership and leasehold management, Cube exists to provide the Group with a vehicle to undertake outright sale and market rent activity and Terra Nova undertakes design and build construction contracts.

Legal and Organisational Structure:



Board members and executive directors

The Board members and the executive directors of the Group as at 31 March 2019 are set out on page 3. Details of all the members and directors that have served during the period from 1 April 2018 up to the date these statements have been signed are disclosed in note 11.

The Board members are drawn from a wide background bringing together professional, commercial and housing experience. In recognition of the challenges and responsibilities facing the Board and the time and effort they put into performing their duties, the Group remunerates its Board members and formalises these arrangements through individual Board member service contracts.

The executive directors are the Group Chief Executive and the other members of the Group's executive management team. They hold no interest in the Group's shares and act as executives within the authority delegated by the Board.

Of the executive directors, only the Group Chief Executive is a member of the Great Places Board. Insurance policies indemnify Board members and officers against liability when acting for the Group.

Primary Activities

The Group's primary activities include:

- Management and development of general needs social and affordable housing for rent, supported housing, extra care, low-cost home ownership and housing for market sale;
- Management of market rent, leasehold and privately owned property;
- Provision of related services such as financial inclusion and social investment activities; and
- Regeneration of neighbourhoods and communities.

As well as owning or managing more than 19,000 properties, the Group is a major developer of new affordable homes for a diverse range of people. We are committed to doing our part to help address the national housing shortage.

Housing Properties Owned Or Managed	2015	2016	2017	2018	2019
Social rent	10,309	9,923	9,766	9,409	9,095
Affordable rent	2,353	2,853	3,377	3,767	4,110
Total General Needs Housing	***12,662***	***12,776***	***13,143***	***13,176***	***13,205***
Shared ownership	1,097	1,232	1,321	1,388	1,431
Homes managed for 3rd parties	676	1,117	951	1,214	1,250
Leasehold	584	822	1,053	1,156	1,145
Supported housing	1,140	1,105	1,087	1,070	1,054
PFI properties	633	632	632	632	632
Sheltered Housing	300	300	300	300	300
Extra care Housing	180	180	180	180	180
Keyworker	243	245	241	55	52
Total homes managed	***17,515***	***18,409***	***18,908***	***19,171***	***19,249***
Homes owned (not managed)	56	56	56	56	56
TOTAL	**17,571**	**18,465**	**18,964**	**19,227**	**19,305**
Properties under development	1,029	743	341	516	651

In 2018/19 the Group built 226 affordable/social homes; there were 162 first tranche and outright sales with a further 171 properties disposed, handed back to landlords or staircased. This resulted in overall net growth of 78 homes, which represents an increase in properties owned or managed of 0.4%.

The 2015-2018 Affordable Homes Programme allocation of 350 homes has just 33 homes left to complete. The 2016-2021 Shared Ownership Affordable Homes Programme ("SOAHP") has an allocation of 866 homes with scheme costs totalling £121.5m and grant totalling £20.3m. The allocation of the 866 homes is split into 578 shared ownership, 120 affordable rent, 108 rent to buy (an agreement is in place with Homes England for tenure flex to affordable rent) and 60 supported homes. The new Homes England Strategic Partnership has an allocation of 750 homes with anticipated costs of £103.6m and grant totalling £29.2m, to be completed by 2022. The mix of homes under this partnership is 120 social rent, 480 affordable rent and 150 shared ownership.

Objectives and Strategy

The Group's vision and values as approved by the Board in March 2018 are:

VISION:	Great homes. Great communities. Great people.
Great homes:	Maximising our investment in sustainable homes.
Great communities:	Building successful, vibrant communities.
Great people:	Providing outstanding customer service and support.
VALUES:	We are fair, open and accountable.
	We know, respect and care about our customers.
	We appreciate the effort of everyone who works here.
	We promote partnerships, efficiency and value for money.
	We passionately embrace creativity, change and innovation.

The current Corporate Plan sets out the Group's 10 year ambitions as well as its plans for the next three years. Our 10 year ambition is:

To grow and improve as an organisation

To meet the housing needs of today's society and generations to come, we need to get bigger and better. Our focus will be on providing more high-quality homes and using our increased size to support our continued investment in our property assets and initiatives that enhance the social, economic and environmental well-being of our customers and their communities.

To remain a vision-driven and values-led organisation

There is a positive Great Places way of doing things based around "profit for purpose" that we will continue to celebrate. It's our values that convince people to choose our homes, to join our team, to go into partnership with us and to give us their support.

Managing performance

The Group manages performance through a balanced scorecard which assesses the achievement of the Corporate Objectives through a range of quantitative and qualitative measures. Each objective is assessed against the relevant set of measures and any corrective action identified. Board focus is on a much smaller suite of "Critical Success Factors" ("CSFs") each of which is supported by a wider range of Key Performance Indicators ("KPIs") and operational and management indicators which together give a clear steer on whether the organisation is progressing against the three year targets and the 10 year ambitions within the corporate plan 2018/21.

As the table overleaf shows, 2018/19 has seen the majority of targets exceeded and an improvement on the 2017/18 results for most indicators. Overall 2018/19 has been a positive year with a number of stretch targets being exceeded.

During a period of significant change increases in sickness levels are not unexpected. As the majority of colleagues have now been through Business Transformation we have, for the last six months, seen sickness levels start to improve again and our year end figure is in line with the median for both our similar housing organisations and for other Greater Manchester providers.

Critical Success Factors	2017/18 Year end	2018/19 Target	2018/19 Stretch	2018/19 Actual result	
Overall satisfaction	7.8/10	7.7/10	8.0/10	7.79/10	Achieved
Repairs (Right first time)*	86.1%	86.5%	88.5%	88.7%	Achieved
Validated stock condition data*	42.8%	55.0%	57.0%	63.0%	Achieved
No of properties below band C*	3,865	3,665	3,465	3,496	Achieved
Group surplus before tax	£10.4m	£12.2m	N/A	£13.2m#	Achieved
Current arrears including HB	2.8%	3.8%	3.3%	3.7%	Achieved
Average re-let time (days)	21.0	24.0	22.0	19.3	Achieved
Development completions (overall)	254	281	N/A	281	Achieved
Building Greatness savings	£4.5m	£4.9m	£5.0m	£5.8m	Achieved
Average days sickness per employee	11.7	10.0	9.0	11.3	Missed
Households into work, training and volunteering (% tenants)	261 (43%)	810 (60%)	900 (60%)	880 (68%)	Achieved

** our CSFs evolve over time. Repairs (Right first time) was previously reported as Repairs satisfaction, validated stock condition data was previously completed stock condition surveys and properties below band C was previously properties below band D*

 # the CSF is the management accounts surplus figure which do not include fair value adjustments and revaluation gains

Results for Financial Year end 31 March 2019

The Group has achieved a surplus after tax of £13.7m for the year ended 31 March 2019, an increase of £1.9m, (16.1%) compared to 2018. Turnover was £109.1m (2017/18: £100.7m) – the increase is due to higher first tranche sales and outright sales.

Operating surplus was £36.3m compared to £33.0m in 2017/18. Operating surplus excluding surplus on fixed asset property disposals was £32.7m (2017/18: £30.7m). The element relating to social housing letting activities was £29.9m (2017/18: £29.5m), which represents 82.4% (2017/18: 89.4%) of the total operating surplus.

Housing properties at cost have increased to £1,224m, (2017/18: £1,201m) up by a net £23m (1.9%) in the year. In year additions of £36m were funded by £12m of grant, £11m of sales receipts and the remainder from additional debt and internal resources.

During 2018/19 Great Places continued its very significant commitment to new and existing homes. Over £62m was invested in building new homes, with 226 new affordable homes and 72 new homes for outright sale delivered in the year. A further £8.8m of expenditure facilitated 2,631 programmed improvements to around 1,900 properties in the existing portfolio, whilst there was also over £10.6m outlaid on the Group's responsive, re-let and servicing maintenance activities. These figures demonstrate that Great Places has again allocated around £81m of funding to expand or improve the homes it provides.

This financial year sees a change in accounting for the Social Housing Pension Scheme ("SHPS") and the impact of that change is a one off re-measurement loss though Other Comprehensive Income in the year of £8.3m. This is a Housing sector-wide issue with all Housing Association members having to recognise a liability through Other Comprehensive income this year on transition. This does not affect our cash reserves or business plan, nor does it adversely affect our covenant calculations.

For the year ended 31 March	2015 £M	2016 £M	2017 £M	2018 £M	2019 £M
Income Statement					
Total turnover	89.5	103.9	109.4	100.7	109.1
Operating surplus	30.6	33.8	34.0	33.0	36.3
Surplus for the year after tax	**11.3**	**12.4**	**12.7**	**11.8**	**13.7**
Statement of Financial Position					
Housing properties at cost	1,092.6	1,139.4	1,174.7	1,201.1	1,223.8
Depreciation	(124.4)	(134.6)	(147.3)	(164.1)	(176.3)
Investment properties	12.7	13.9	15.5	18.2	17.7
Other fixed assets	6.5	6.4	10.0	8.2	8.2
Fixed assets	**987.4**	**1,025.1**	**1,052.9**	**1,063.4**	**1,073.4**
Investments	10.2	9.9	9.2	8.6	7.8
Net current assets	25.0	28.4	45.8	64.0	60.9
Total assets less current liabilities	**1,022.6**	**1,063.4**	**1,107.9**	**1,136.0**	**1,142.1**
Creditors due after one year (inc. pension)	517.7	550.2	591.7	600.9	608.8
Social Housing Grant	475.1	473.7	467.6	467.8	464.9
Reserves	29.8	39.5	48.6	67.3	68.4
	1,022.6	**1,063.4**	**1,107.9**	**1,136.0**	**1,142.1**

Treasury Management

The Group's borrowing decreased by £6.6m during the year as a result of a number of capital repayments being made, and some smaller legacy debts being repaid in full, with no additional new funding being obtained. The Group also replaced the £60m revolving cash facility with RBC with a new £30m facility with NatWest.

The Group's borrowings are principally from banks and the debt capital markets, at both fixed and floating rates of interest. The approved Treasury Strategy, which is updated annually, identifies a hedging approach that allows for flexibility and caters for a changing interest rate environment. The strategy approved in July 2018 specifies that a minimum of 75% fixed rate debt should be maintained. As at 31 March 2019 the Group had 99.8% fixed rate debt, including debt fixed by interest rate swap arrangements.

The Group remains in a very strong funding position to meet our funding needs for the next four years. This is demonstrated by:

- Current cash balances of £62.1m;
- Undrawn Santander facility of £50m (fully secured);
- Remaining undrawn NatWest long term facilities of £38m (c.£4.5m still to be secured);
- The new revolving facility of £30m (fully secured); and
- The ability to go back to the market for the £70m of retained bond.

Capital structure (loan and finance lease liabilities)					
as at 31 March	**2015** **£'000**	**2016** **£'000**	**2017** **£'000**	**2018** **£'000**	**2019** **£'000**
Maturity					
Within one year	1,610	3,208	4,817	8,999	9,021
Between one and two years	3,165	2,659	9,929	9,155	9,065
Between two and five years	5,337	34,537	30,357	28,349	27,817
After five years	464,062	462,616	499,617	514,780	508,684
TOTAL	**474,174**	**503,020**	**544,720**	**561,283**	**554,587**
Fixed / variable split					
Fixed including cancellable (including amounts Fixed by interest rate swaps)	444,157 (94.0%)	473,020 (94.0%)	470,402 (86.0%)	559,663 (99.7%)	553,620 (99.8%)
Variable	30,017 (6.0%)	30,000 (6.0%)	74,318 (14.0%)	1,620 (0.3%)	967 (0.2%)
Type of facility					
Own name Bond issue	201,748	201,712	201,676	294,262	293,725
Post 2007 facilities	234,722	265,226	310,117	254,081	248,968
Other legacy debt	37,704	36,082	32,927	12,940	8,733

The Group's loans are secured against housing properties using either Existing Use Value – Social Housing ("EUV-SH") or Market Value Subject to Tenancy ("MVST"). Properties are revalued by valuers appointed by the relevant funder at intervals stated in the loan documentation.

Interest rate swaps are used to provide a hedge against the Group's exposure to interest rate fluctuations. The hedging strategy is regularly updated to ensure it remains appropriate in an ever changing financial climate and also in response to the Group's funding strategy.

Hedging is one of the tools adopted to manage the market price risk of interest costs, and together with a range of sensitivity analyses run against the Group's Business Plan allows Great Places to monitor its exposure in this regard. The Group has stand alone swaps transacted through International Swaps and Derivatives Association ("ISDA") agreements to hedge variable rate loans from banks. No new hedging was undertaken in the year.

A total of £19.3m of cash collateral (as shown on the table overleaf) was provided to counterparties at 31 March 2019 and is included within investments on the balance sheet. The average maturity of the swaps is 11 years. A further £2.6m of cash collateral was paid to counterparties by 2 April 2019, following the valuations made as at the 31 March 2019. The fixed rates of interest on the whole portfolio ranges from 2.19% to 10.71%. On the standalone swaps the fixed rates range from 2.19% to 4.97%. The Group borrows and lends only in sterling and so is not exposed to currency risk.

Standalone Swaps - Mark to Market exposure at 31 March 2019				
Counterparty	**Unsecured Threshold**	**Mark to Market Exposure**	**Collateral required**	**Cash in place**
Barclays	£7,500,000	£9,568,289	£2,068,289	£2,175,000
RBS	£3,000,000	£14,456,270	£11,456,270	£9,977,614
Santander	£4,900,000	£8,240,638	£3,340,638	£3,390,000
Lloyds TSB	£7,500,000	£12,480,296	£4,980,296	£3,749,000
Credit Suisse	£3,000,000	£171,126	£0	£0
As at 31/03/19	**£25,900,000**	**£44,916,619**	**£21,845,493**	**£19,291,614**
As at 31/03/18	£25,900,000	£43,586,194	£20,281,211	£18,386,232
As at 31/03/17	£25,900,000	£50,604,832	£26,803,479	£26,563,874
As at 31/03/16	£25,900,000	£49,217,187	£25,235,283	£26,720,068
As at 31/03/15	£25,900,000	£46,707,633	£22,809,873	£20,600,505

The Group's lending agreements require compliance with a number of financial and non-financial covenants, most notably interest cover and gearing, both of which are shown on the following page. The Group's position is monitored on an ongoing basis. These financial statements and Business Plan projections confirm that the Group is in compliance with its loan covenants and internal golden rules at the balance sheet date and we expect to remain compliant in the foreseeable future.

Liquidity, cash management and investment

The Group's policy is to borrow sufficient monies to meet its known and reasonable contingent requirements for liquidity. The Group shall ensure it has adequate, though not excessive, cash resources, borrowing arrangements, overdraft, revolving credit or other stand-by facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business and service objectives. These requirements are set out in the approved Treasury Strategy and are monitored regularly as part of the cash flow reporting regime.

The Group Business Plan identifies funding requirements over the next three years of £74.7m with only £0.7m required in 2019/20. At 31 March 2019, undrawn long term bank facilities amount to £88m. The Group also can issue the retained element of its bond for a further £70m. These facilities are intended to finance the Group's ongoing development activity. The current Business Plan indicates the long term facilities meet our cash requirements for the next four years.

The remaining long term facilities are either fully secured or with security identified and charging work underway. This comfortably meets the liquidity requirements set out in the Treasury Strategy which was last updated in July 2018. The Group holds its surplus cash as cash or cash equivalents and will not invest in gilts, equities or other non-money assets.

Key statistics and ratios

For the year ended 31 March	2015	2016	2017	2018	2019
Surplus % Surplus for the year as % of turnover	12.7%	11.9%	11.6%	11.8%	12.6%
Interest Cover (operating surplus, excluding property sales; excluding grant amortisation; adding back depreciation, impairment and gift aid) / (net interest payable) GOLDEN RULE >140%	185.0%	173.0%	197.0%	191.0%	187.8%
Interest Cover (covenant) (as above, but with major repair capitalisation limited to 40% of total major repair expenditure)	168.0%	163.0%	176.0%	169.0%	172.0%
Gearing* (Total borrowings less cash at bank and in hand)/ (Housing properties at cost less properties under construction) GOLDEN RULE <55%	44.5%	44.0%	43.1%	40.9%	41.0%
Operating Margin before interest %** (Operating surplus / turnover excluding grant amortisation) GOLDEN RULE >28%	36.2%	28.9%	30.0%	32.2%	31.6%
Social Housing Letting interest cover (Surplus on social housing lettings / net interest paid in cash flow statement)	1.4x	1.3x	1.2x	1.3x	1.1x
Recurrent cash interest cover (Operating surplus plus depreciation and impairment / net interest in cash flow statement)	2.1x	2.0x	2.1x	2.3x	1.9x
Debt to revenue (Loans less fees plus finance leases / turnover)	5.2x	4.8x	4.9x	5.5x	5.0x

** The definition for Gearing on this table differs from the RSH metric; the above includes housing properties at cost less those under construction, whilst the RSH definition includes housing properties at net book values*

*** The definition for Operating Margin on this table differs from the RSH metric, the RSH definition excludes gains or losses on disposal of fixed assets*

Value for Money: Overview

Great Places understands the importance of getting more out of our available resources to provide high quality homes and a good customer service – thereby demonstrating value for money (“VFM”). We are a “profit for purpose” organisation aiming to maximise our surplus to enable us to deliver our identified priorities and to attain our vision of Great homes, Great communities, Great people.

For us, value for money is an integral part of our overall strategy to deliver our corporate ambitions rather than an add-on or standalone activity. The Board monitors organisational progress against key priority areas to ensure we maintain an emphasis on delivering core objectives, on becoming a more economic, efficient and effective business, and on reacting swiftly and appropriately to the key challenges being faced.

The more efficient we are, the more resources we have to build new homes, improve existing homes, enhance our services, undertake activities designed to maximise social impact and fund other key corporate priorities. With a clear focus on what matters most, 2018/19 was another successful year for Great Places.

Building Greatness

Against a target of £4.9m savings and a stretch target of £5.0m we achieved full year savings of £5.8m through our Building Greatness programme. Specific successful outcomes include:

- All 21 3-year targets in the corporate plan, plus each of the eight operating principles, have a nominated responsible Director, an action plan and a governance structure to ensure progress and success. Each plan has been reported to the Executive and priorities over the next two years have been agreed.

- The proportion of customer contacts made digitally has increased from 29% to 55%. This is in line with our service delivery framework of doing “with, not for” and is clear evidence of greater self service by our customers. There are consequential efficiencies through reduced telephone activity being measured too.

- We exceeded our target around properties achieving a minimum D energy efficiency performance rating, and we now only have around 100 of our homes that are below a D and don’t have an investment or a divestment plan. This improvement in property performance results in tangible financial savings for our customers. We are now focussing on achieving a minimum C energy efficiency rating where possible.

- Through enhanced procurement contract management we have delivered efficiency savings of £1.3m over the 2018/19 period and increased the scrutiny of our supply chain performance and embedded social value in our processes.

- As part of our Growing Greatness initiative, we recruited 28 new graduates and apprentices during 2018/19 who have introduced fresh ideas, outlooks and approaches for the business. This will help us connect better with younger customers.

- As part of out GDPR compliance, we delivered a data cleansing project focusing on reducing our data storage requirements. This resulted in 1TB of historic data being removed, our current “personal” drives reducing by 20% and a number of teams reducing their own departmental drives by up to 25%. In addition we improved the accuracy of our data, including: 1,900 contact errors corrected, addresses standardised via Geographic Information Systems work, dates of birth collected/corrected for all customers, and a data governance approach put in place. These measures help to ensure that our decision making is data driven and evidence based.

- During the year, we established a new business development working group that assesses the viability of potential opportunities around generating new profit making ventures. We have been successful with the Housing First bid, with establishing a legal services framework which other RPs have signed up to use, and have been successful winning several new Estate Management contracts.

VFM – comparisons and benchmarking

The VFM Standard outlines seven key metrics which are included in the table overleaf. These metrics are:

Reinvestment % – this considers the investment in properties (existing stock as well as new supply) as a percentage of the net book value of total properties held.

New supply delivered % - this sets out the number of new social housing and non-social housing homes that have been acquired or developed in the year as a proportion of total social housing and non-social housing homes owned at the period end.

Gearing % - this assesses how much of the assets are made up of debt and the degree of dependence on debt finance. It is often a key indicator of a Registered Provider’s appetite for growth.

Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included ("EBITDA MRI") Interest Cover % - this is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a Registered Provider generates compared to interest payable.

Headline Social Housing Cost per Unit – this is as defined by the regulator.

Operating Margin % – this demonstrates profitability of operating assets before exceptional expenses are taken into account. Increasing margins are one way to improve the financial efficiency of a business. There are two ratios; one for Social Housing Lettings (SHL) only and one for the overall business.

Return on Capital Employed ("ROCE")% - this metric compares the operating surplus to total assets less current liabilities and is used to assess the efficient investment in capital resources.

The table below shows performance against these metrics and also includes results from the Sector Scorecard which categorises the measures over five broad categories. The table shows how we performed in relation to each of the 15 Sector Scorecard measures, with last year's results showing our performance by comparison to a group of similar organisations. The VFM metrics are shaded so they can be easily identified within the table below:

Metric	2017/18			2018/19		2019/20
	Great Places	Family Group	Sector Median	Great Places	Target	Target
***Business Health*: (1)**						
Operating Margin – Overall	33.4%	27.4%	27.9%	30.0%	29.5%	30.4%
Operating Margin SHL	36.2%	31.1%	30.4%	34.8%	33.9%	34.7%
EBITDA MRI	131.4%	203.1%	213.6%	146.1%	135.9%	131.9%
***Development:* (2)**						
Development (No)	289	151	85.5	298	243	312
Units Developed as % of units owned (SH + NSH)	1.6% + 0.1%	1.0% + 0%	1.0% + 0%	1.3% + 0.4%	1.3%	1.2% + 0.6%
Gearing	46.2%	42.4%	35.1%	46.4%	45.4%	42.2%
***Operating Efficiencies:* (3)**						
Social Housing Cost per Unit	£3,133	£3,423	£3,450	£3,087	£3,050	£3,334
Rent collected	99.7%	99.4%	99.9%	99.4%	99.4%	98.8%
Overheads as % of Turnover	10.6%	13.2%	12.0%	11.1%	9.7%	10.5%
Service Charge CPU	£277	£439	£332	£396	£361	£398
Management CPU	£824	£896	£1,008	£889	£1,145	£923
Maintenance CPU	£635	£928	£1,120	£451	£586	£661
Major Repairs CPU	£984	£705	£725	£1,005	£820	£1,081
Other Social Housing Costs	£413	£139	£192	£346	£134	£271
***Outcome delivery:* (4)**						
Customer Satisfaction*	7.75/10			7.79/10	7.70/10	7.85/10
Investment: Communities	£1.2m	£264k	£168k	£843k	£952k	£863k
Reinvestment %	3.6%	4.6%	5.8%	3.4%	7.8%	6.3%
***Asset Management:* (5)**						
Return on Capital Employed **(RSH)**	2.9%	3.9%	3.7%	3.1%	3.0%	3.3%
Repairs Ratio (responsive:planned)	0.39	0.69	0.61	0.45	0.50	0.50
Occupancy rate	99.5%	99.4%	99.4%	99.5%	99.4%	99.4%

**The sector scorecard asks for a % satisfaction figure whereas Great Places utilises the Institute of Customer Service methodology which provides for a score on a scale of 1 to 10. The results are therefore not comparable.*

[1] *Our Family Group for benchmarking purposes – Accent, Accord, Chevin, Cobalt, EMH, Equity, ISOS, Johnnie Johnson, Irwell Valley, Leeds Federated, Longhurst, Mosscare St Vincent's, Muir, Nottingham Community, Orbit, Regenda, Riverside, South Yorkshire, Stonewater, Symphony and Yorkshire.*

Key messages over the five scorecard categories:

Business health: Our operating margin, at 30%, the proportion of surplus generated from turnover on a provider's day-to-day activities, was better in 2018/19 than both our 'family' group and the Greater Manchester figure and is contextualised by the commentary that "higher operating margins tend to be recorded by associations with a development programme, who manage more than 5,000 homes across a variety of tenures and have leveraged assets". Our overall operating margin for 2018/19 has reduced slightly from 2017/18.

Development: Due to the cyclical nature of our development programme, our 2018/19 outcomes are lower than 2017/18, but still significantly above the median figure for both our family group, not shown, and the sector as a whole. Over the past 10 years, Great Places has developed around 5,500 new homes and the Sector Scorecard evidences that development as a % of stock is an area where we remain particularly strong. The Scorecard also shows that this is not at the expense of other Profit for Purpose priorities and that we still invest comparatively heavily in our communities.

Reinvestment at 3.4% was behind the target of 7.8%, and similar to our reported figures for 2017/18 of 3.6% as we had anticipated that we would commence around 450 new homes, but due to delays in planning, and other unforeseen obstacles, we only achieved around 300. Planning delays are becoming one of our biggest risks to programme timetables.

Whilst our % gearing is higher than the sector median for 2018/19, we are still in a comfortable position in relation to gearing, and our performance has improved every year since 2016. It should be noted that our percentage reflects that we do more development and subsequently are sweating our assets more which is particularly relevant based on our 10 year ambition to develop 8,000 new homes as stated in our Corporate Plan.

Operating efficiencies: our headline cost per unit is £3,087 for 2018/19 which is an improvement on the previous year but not quite in line with target due to restructuring costs. There were a number of additional, unplanned costs in central services in the year, however, it still compares very favourably against both our family group and the sector median. Our higher percentage of Supported Housing, and having stock located in areas of deprivation are both drivers for increased costs and consequently show our overall low figure in an even better light.

Outcomes delivered: For customer satisfaction, we continue to follow the Institute of Customer Service ("ICS") approach including their 10 point scale, so cannot directly compare with the rest of the sector's % score. However the ICS median for housing associations is 7.04/10 so our current score of 7.79/10 shows that our customers are more satisfied with the service they receive from us, compared to other housing associations. Our satisfaction score for 2018/19 is an improvement on 2017/18.

Effective asset management: Our Return on Capital Employed, at 3.1% is slightly below the median of 3.7%, reflecting our high proportion of new and hence relatively expensive properties. Benchmarking shows this is the case with the majority of associations who have a proportionately large development programmes. Our occupancy rate at 99.5% is broadly in line with performance last year, which was above the median for all groupings and our ratio of expenditure on routine maintenance to spend on planned maintenance is low which is perceived to be positive.

As a whole: It is unlikely that any organisation or group of organisations can consistently achieve upper quartile performance in all areas of the Scorecard, illustrating the diversity of the measures and of participants. Great Places are better than the sector median for 8 out of 15 indicators in the Scorecard and perform particularly well in respect of those relating to growth.

VFM: Embedding a strategic approach

Having a strategic approach to VFM, and making decisions to ensure we make the best use of the Group's resources, is not new for Great Places and the significant improvement in financial performance and quality of service delivery over recent years is prime evidence of success in this regard. Improving VFM is viewed as a sign of good governance in action, as a means of achieving corporate objectives and as a key determinant of business effectiveness.

Over the past year, our strategic approach has been focused on Building Greatness, which is the title of our Corporate Plan 2018-21, and regular updates around our strands of Great homes, Great communities and Great people, plus our eight under-pinning Operating Principles, have been reported to Board. We have set 21 3-year targets which challenge the organisation to grow and improve and which are closely related to both our annual Critical Success Factors and to our 10-year ambitions.

Through our strategic approach, VFM is incorporated into all decision-making with an acknowledgement that we cannot deliver our vision, values and priorities without delivering VFM. We always seek the optimum of low costs, high performance and high customer satisfaction.

VFM: Conclusion

2018/19 was another good year for Great Places and there are many figures to substantiate that. It is clear that the vision and values continue to permeate all that we do, and will continue to do so, and that there is a shared view of Great Places as a '"profit for purpose"' organisation with a strong commitment to prioritise social impact in our activities. Nowhere is this more evident than in our commitment to build new affordable homes, activity we will continue to prioritise, as stated in our corporate plan.

Social Return

The Group's commitment in this area is demonstrated by the establishment of a community investment team which aims to provide employment, training, volunteering and apprenticeship opportunities both to our own direct customers and also people living in the communities within which we operate. Our corporate plan sets a three year target to help 2,000 people in to work, training or volunteering. During the past year we also introduced a new role of Social Value Coordinator in order to maximise output.

As part of our procurement process we ask our potential suppliers about their social return activities and how they can support the work undertaken by our community investment team and during this year we have a appointed a social value specialist officer to assist this approach.

The table below provides information on how the Group has performed against targets it was set in terms of social investment in our communities:

Social Investment KPI	Actual	Target
Number of people/tenants into training (accredited & non accredited)	590	530
Number of people/tenants into employment (incl. apprenticeships)	180	185
Number of people/tenants into volunteering opportunities	110	95
Overall number of people/tenants into employment, training & volunteering	880	810

Profit for purpose

Great Places is a "profit for purpose" organisation. We aim to be as efficient as possible, to remain a top-quartile performer and maximise our surplus. However, we then choose to use a large chunk of our surplus to go far beyond our landlord obligations and realise our values and our vision of Great homes, Great communities, Great people. The simple principle is that the more efficient we are as an organisation, the more of the added value work we can carry out to transform communities and improve the lives of our customers who live there.

Risk management

The Group recognises that the business environment in which it operates presents a range of internal and external challenges to which we must respond in order to succeed. Our risk management strategy is designed to manage risks in the best way possible and reduce their potential for damage to an acceptable level, whilst avoiding the adoption of a risk-averse appetite which stifles innovation and growth.

During 2018/19 our corporate risk register has been aligned to our Corporate Plan to ensure there is clear visibility of the threats that could prevent us from achieving the challenging and ambitious targets that we have identified. This resulted in a new risk register framed around the three core themes within the Corporate Plan: Great homes, Great communities, Great people, alongside identification of the core underpinning issues which could threaten the organisation's governance and financial strength. These risks include:

<u>Great homes</u>

1. Failure in the development programme which adversely affects our ability to achieve our targeted stock numbers
2. Failure to achieve the growth objectives as articulated in the Corporate Plan
3. Failure of the sales programme to generate income for the organisation
4. Ineffective asset management and divestment programme which maximises the value of our stock

<u>Great communities</u>

1. Failure to deliver service which maximise the customer experience and set us out as a top performing organisation
2. Failure to safeguard vulnerable customers
3. Inability to retain independence and wellbeing services
4. Failure to recognise the impact of customer poverty and welfare reform on the inability to pay rent
5. Failure to deliver a repairs and facilities management service which maintains our stock and maximises its value
6. Failure to remove threats to customer health and safety

<u>Great people</u>

1. Inability to recruit and retain colleagues to enable us to deliver on our corporate objectives
2. Failure to engage colleagues and motivate them to perform to their potential and deliver on corporate objectives
3. Failure to reduce or remove threats to colleague health and safety
4. Failure to improve organisational efficiency via our business transformation/continuous improvement programmes

<u>Underpinning Risks</u>

1. Inability to manage the treasury requirements of the business
2. Failure to generate the required surplus needed to maintain our financial strength
3. Failure to achieve value for money and use social assets effectively
4. Failure to use technology service effectively to drive innovation and efficient working across the business

5. Failure to achieve compliance against the Regulatory expectations for the organisation
6. Failure to implement effective internal controls to manage the risks facing the business
7. Failure to effectively manage major incidents and business continuity events

In order to provide the Board and the Senior Management Team with clear visibility of our biggest risks, we have increased visibility of our "top 6" risks to ensure there is an appropriate level of scrutiny afforded to these issues. Our current highest scoring risks are:

Risk Descriptor	**Risk Score** Likelihood/Impact	**Key controls and mitigations**
Failure of the sales programme to generate income for the organisation (External risk)	Medium/Medium	• Sales flash reporting • Stress testing on market exposure • Appraisal and approvals framework • Exit strategy for individual schemes
Failure to recognise the impact of customer poverty and welfare reform on the ability to pay rent (External risk)	Medium/Medium	• Affordability assessments at sign up • Robust monitoring of arrears trends • Partnership work to address poverty • Rent setting policy
Failure to reduce or remove threats to customer health and safety (External risk)	Low/High	• Specialist compliance team • Use of expert external contractors • Internal and 3rd party audit regime • Internal health and safety team
Failure to engage colleagues and motivate them to perform to their potential and deliver on corporate objectives (Internal risk)	High/Medium	• People strategy and associated 3 year plan • Regular colleague surveys • Colleague engagement programme • Monitoring of sickness absence
Failure to improve organisational efficiency via our business transformation/ continuous improvement programmes (Internal risk)	Medium/High	• Project steering group to monitor outcomes • Specialist business transformation team • Departmental service improvement roles • Change communications specialist role created
Failure to use technology services to effectively drive innovation and efficient working across the business (Internal risk)	High/Medium	• IT Strategy and associated action plan • IT steering group to manage prioritisation • Cyber essentials accreditation • Regular audits of disaster recovery processes

In addition to the corporate risk register, we maintain a watch list which provides the Board and the Senior Management Team with visibility of issues on the horizon, primarily externally driven, which we cannot articulate at this time due to their nature. Such issues include; Brexit, the Homes England Infrastructure Fund and the outcomes of the Social Housing Green Paper.

As and when these issues become more concrete, an assessment is undertaken about whether they need to be factored into the corporate risks register, or dismissed as non-material.

This process is inherently linked with our approach to keeping risk management "live" within the business. Our Board receive regular risk updates alongside six monthly deep dive reports focussing on compound risk and our progress towards target risk scores, supplemented by the role of the Audit and Assurance Committee in scrutinising a selection of risks at each meeting to receive assurance on the effectiveness of the current controls and mitigation strategies.

Statement of Compliance with our Governance Code

The Group Board has adopted a bespoke Code of Governance for the Group which fully incorporates the requirements of the most recent NHF Code of Governance ("Promoting Board Excellence for Housing Associations" that was published in February 2015), but which actually goes further in some areas to add additional detail and clarity.

Great Places undertakes an independent triennial Governance review and the last review in 2017 confirmed that the Group is fully compliant with the Code of Governance. In July 2018 the Regulator of Social Housing ("RSH") re-affirmed that the Group has the highest G1 Governance assessment based on an In Depth Assessment carried out during April - June.

A range of information on the composition of our Board is included at note 11 of these statements, including the remuneration of both the non-executive Board members and also the executive team.

The Group publishes a wide range of information on its website that seeks to provide all stakeholders with a range of useful "transparency" information. This includes details of all costs over £500 related to the Group's Homes England development contracts, which is updated quarterly.

The Great Places Board currently has ten non-executive members, of whom there are five male and five female members. The Chief Executive is also a Board member. The average attendance at Board meetings between 1 April 2018 and 31 March 2019 was 91%. During that period there were nine scheduled Board meetings, plus two strategic away days. In addition, training or information sessions are held prior to every regular Board meeting.

There are two Committees of the Board – the Audit and Assurance Committee and the Remuneration and Appraisal Committee. Both have clearly defined terms of reference. In addition the Board can create time-bound "Task and Finish" groups through which a small number of Board members can provide additional insight and guidance on specified issues or projects. During 2018/19 a Task and Finish group was established to set the Group's revised Critical Success Factors for 2019/20.

Statement of compliance with RSH Financial Viability and Governance standard

The Board of Great Places has carefully considered its responsibilities under the Regulator's Economic Standards covering Rents, VFM and Governance and Financial Viability. A detailed report has been considered by the Audit and Assurance Committee which reviews the evidence presented to support the compliance position against each required outcome of the standard as well as the guidelines laid out in the Code of Practice.

A full register of all relevant law has been developed outlining the legislation that we are required to adhere to, and details of how we meet the requirements of each Act of Parliament. On consideration of the evidence provided, the Group confirms it has met all regulatory requirements during the year and has retained its G1/V1 status.

The Group's structure is relatively simple and the independence of Cube is designed to ensure social housing assets are not put at undue risk. Any decision to pursue commercial activity via this arm of the business is closely assessed in terms of its impact on the social assets owned by Great Places Housing Association.

Our divestment regime ensures we make the best use of social housing assets by disposing of inefficient stock to generate income to fund the provision of new homes, thereby keeping the value of assets within the sector and ensuring value for money for the business in terms of management costs.

Our Board members have been selected and appointed based on an assessment of the skills and expertise required to discharge the duties of the Board including expertise in finance and housing. The Board members complete an annual evaluation of their effectiveness, and any gaps are addressed via individual development plans.

The Group has an excellent business planning process which embraces a rigorous approach to development of assumptions including benchmarking. They are prudent in respect of liquidity and interest rate risk, and reflect the Group's risk appetite. The Treasury Management team work alongside our independent advisors, Link Asset Services, to ensure that the Group has sufficient headroom to meet the Business Plan commitments, and to remain comfortably within agreed funder covenants.

Stress testing scenarios have been undertaken against the new Business Plan under the direction of the Board and reviewed with the Executive Directors. The stresses test the Group's resilience against a number of key risks. The stress testing model maps the effect of various scenarios against our internal golden rule thresholds linked to interest cover, gearing, operating margin and major repair expenditure as well as the effect on our unencumbered asset position, and potential security exhaustion. It was clear from the stress testing scenarios that the proposed plans satisfied our internal golden rule thresholds.

Great Places operates within a robust procurement and tendering framework to ensure that arrangements do not advance the interests of third parties. Tendering processes are robustly monitored and awards are controlled on a clearly stated cost/quality basis. Processes are in place to identify conflicts of interest at an early stage, and are managed via our probity arrangements to ensure there can be no undue control or influence exerted.

Over the past 12 months, significant work has gone into enhancing an Asset and Liability register which would give an independent body swift access to key information about the organisation in the event of a potential or actual failure of the business. It links closely to the risk register and the business continuity plan, providing a thorough, accurate and up to date record of all assets and liabilities.

The Group has always completed statutory and regulatory returns within stated timeframes, and has taken steps to introduce additional controls to reduce the risk of errors within these returns. We maintain a register of all fraudulent losses which is managed by the Executive Director of Finance, overseen by the Audit and Assurance Committee and reported to the Regulator annually via the prescribed method and we have a strong track record of transparency and openness with the regulator.

Internal controls assurance

The Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public assets and money are safeguarded and properly accounted for, and that they are being used economically, efficiently and effectively.

A wide range of internal control mechanisms are in place and being operated to help the organisation meet its strategic objectives, to operate within the law, to make effective use of public money and to report activities accurately. These bring together information from all significant parts of the business and provide assurance to the Board that an effective system of internal controls is in place. The most significant sources are through:

- Our approach to assurance, based around the 3 lines of defence model;
    - The 1st line of defence describes controls operated by day to day management
    - the 2nd line covers more independent checks carried out by other internal teams
    - the 3rd line incorporates external assurance obtained from auditors or regulators

- The existence of the Audit and Assurance Committee, with appropriate terms of reference;
- An independent internal audit function;
- The external auditors;
- Financial and non-financial performance monitoring and management;
- Appropriate communications structures;
- Effective customer scrutiny arrangements;
- Effective strategies, policies and procedures; and
- External stakeholders, including the regulator and accreditation bodies.

Internal Controls Framework

To assess the effectiveness of the internal control system, a comprehensive framework is in place consisting of sources of assurance that bring together information from all significant parts of the business. The main forms of assurance are:

- Our Risk and Assurance Strategy reinforced by a comprehensive Risk Policy (approved by Board in October 2018) and methodology which is monitored via routine risk reporting to every Board meeting, with detailed 6 monthly reviews, and additional scrutiny provided by Audit and Assurance Committee members;
- The prioritisation of Critical Success Factors linked to corporate plan targets which include targets and where appropriate aspirational stretch targets, which help to ensure our performance management framework is focused on what matters most and on providing focus and assurance;
- Appointment of experienced and suitably qualified staff to take responsibility for important business functions. Annual appraisals (based around our Competency Framework) and monthly reviews to maintain high standards of performance, and revised HR processes to address any gaps or failings;
- A managed "Strategies, Policies and Procedures" site on the intranet to ensure that documents are signed off by the appropriate management forums, and are reviewed regularly. Board review and approval of key corporate strategies. The Whistleblowing and Anti-fraud Policies are regularly updated, whilst a register of all actual or potential frauds, is reported to the Audit and Assurance Committee and to the regulator via an annual report;
- Financial forecasts and budgets which allow the Board and the management team to monitor key financial risks and spend in terms of achieving budgets in the short, medium and long term;
- Annual audit reports to Board from both internal and external auditors, and meetings with Audit and Assurance Committee members without officers present to allow them to raise any concerns;
- Compliance reports and regulatory judgements issued by the Regulator of Social Housing and other regulatory bodies;
- A full range of insurances in place to safeguard assets which are regularly reviewed to ensure they are fit for purpose;

- A rigorous approvals process (and scheme of delegations contained within the Code of Governance) to ensure that all significant new initiatives, major commitments, development schemes and investment projects are subject to formal authorisation procedures by the Executive Team, the Board, or the Committees of the Board;
- External accreditations and assurance reviews e.g. credit rating reviews from Moody's and Fitch;
- Governance arrangements which provide for the Board to be able to create time-bound "Task and Finish" groups through which a small number of Board members can provide additional insight and guidance on specific issues or projects; and
- Health and safety infrastructure with architecture of meetings from local to strategic.

Progress during 2018/19

During 2018/19 the following steps were taken to enhance the control environment and the level of assurance that the Board can take from it:

- Significant work was undertaken during the year to strengthen controls relating to data protection in line with the requirements of the new General Data Protection Regulations;
- A recruitment exercise was undertaken to bring two new non-Executive Directors onto the Board, and one new member to the Cube Board, to enhance the skills profile of the Board;
- The Assurance Map was updated to bring it in line with the revised risk register, and the Corporate Plan;
- The Asset and Liability register was further enhanced. This accurately records our position, and provides easy access to documentation for relevant agencies in the event that the Group becomes financially insecure;
- An updated Anti-fraud Policy was developed which references our obligations under legislation;
- An updated Anti-money Laundering Policy was developed in line with the National Housing Federation guidance which provides additional advice for colleagues on the associated risks;
- Updated Delegated Authorities were agreed to ensure there are appropriate systems of control and segregation of duties in the approvals process; and
- A revised Treasury Management Strategy and Policy were approved;
- A new Risk and Assurance Policy was approved, bringing together two separate documents into one cohesive policy which outlines our broad approach to internal control;
- The Business Transformation review of the Finance team was concluded, which introduced additional roles into the team to allow for more systemic controls and segregation of duties;
- A self-assessment workshop was held to identify risk exposure across the business in relation to the Criminal Finances Act, and an action plan agreed to minimise the points identified.

Audit work undertaken in 2018/19

During 2018/19, all internal audit and assurance work was undertaken by PwC employing a risk based internal audit approach. They have provided this work since their appointment in April 2015, and at the March 2019 Audit and Assurance Committee meeting, the Committee approved their re-appointment for a further period of 3 years, covering 1 April 2019 to 31 March 2022.

Work carried out under this framework included 12 assurance reviews across a broad range of service areas, and one advisory review (an IT Risk Diagnostic). The 12 assurance reviews produced:

- 4 medium risk outcomes (GDPR, IT Disaster Recovery, Fire Risk Assessments, Divestment & Disposals)
- 8 low risk outcomes (Asset Management, Business Intelligence, Asset & Liabilities Register, Core Financial Controls, Distribution Centre, Independence & Wellbeing, Human Resources and Allocations & Lettings)

In total, 30 findings were identified. Only one recommendation was identified to be high risk (a reliance on spreadsheets for tracking our Fire Safety audits) and 57% of findings were classified as low risk.

Internal audit follow up has also been conducted on four occasions during the year with 85% of recommendations fully implemented (this includes 100% implementation during quarters three and four).

In their internal audit annual report for 2018/19 PwC state that, "Our work has identified there are robust controls in place within Great Places to ensure that actions agreed as a result of Internal Audit reviews are implemented in a timely way and that evidence to support their implementation is recorded on the audit issue tracking system."

Internal controls assurance conclusion

The Board can take assurance that the organisation is reacting appropriately to the challenges it is facing and has acted proactively to identify, investigate and communicate issues and management actions in an accessible, transparent manner.

The system of internal control is a significant part of Great Places' governance arrangements and is designed to manage risk to a reasonable level rather than to eliminate all risk. It can, therefore, only provide reasonable rather than absolute assurance.

The Board confirms that the organisation has suitable internal controls for maintaining adequate accounting records, for safeguarding the assets of the Group, and for taking reasonable steps to prevent and detect fraud and other irregularities. The Board also confirms that no weaknesses have been identified from external audit which would have resulted in material misstatement or loss and which would have required disclosure in the financial statements.

The Board have reviewed the effectiveness of the system of internal control, including the sources of assurance agreed by the Board as being appropriate for that purpose. The Board is satisfied that there is sufficient evidence to confirm that adequate systems of internal control have existed and have operated throughout the year, and that those systems have been aligned to the management of significant risks facing the organisation.

Modern Slavery

Great Places, as an organisation with annual turnover in excess of £36m, is required, under the Modern Slavery Act, to adopt a Modern Slavery transparency statement outlining the steps that the organisation has taken during the financial year to ensure that slavery and human trafficking is not taking part in any part of its business, including its supply chains. The Board of Great Places approves the statement annually and the full statement is published on the Great Places website. In addition to Modern Slavery being a core induction training module delivered to all Great Places new starters, so that all colleagues understand how important this issue is, during 2018 we also worked with the Slave Free Alliance who delivered training to all of our Senior Management Team. As part of this relationship, the Alliance also reviewed our modern slavery policy and statement and provided positive feedback which has assisted us in making better connections between modern slavery, tenancy fraud and safeguarding for our customers.

Donations

During the year ended 31 March 2019 the Group has made no political contributions (2018: £nil) and any charitable donations were made during the course of its ordinary activities.

Going concern

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. In particular, assurance is provided by the Group's latest Business Plan (approved May 2019) which demonstrates that the Group has funding facilities in place that will meet planned development expenditure over the next four years and that it is fully able to service its debt facilities whilst continuing to comply with all its funders' covenants. Therefore the Board continues to adopt the going concern basis in the financial statements.

Annual general meeting

The annual general meeting will be held on 19 September 2019 at 2a Derwent Avenue, Manchester.

External auditors

A resolution to re-appoint BDO LLP will be proposed at the AGM on 19 September 2019.

Statement of compliance

In preparing the Strategic Report and the Report of the Board, the Board has followed the principles set out in the SORP 2018.

Statement of the responsibilities of the Board for the report and financial statements

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

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

In preparing these financial statements, the Board members are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2018 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Association will continue in business.

The Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. They are also responsible for safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

- There is no relevant audit information of which the Association's auditors are unaware; and
- The Board has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the auditors are aware of that information.

The report of the Board was approved by the Board on 25 July 2019 and signed on its behalf by:

P. Elvy
Company Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREAT PLACES HOUSING GROUP LIMITED

Opinion

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2019 and of the Group's surplus and the Association's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Board are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in the statement of the responsibilities of the Board set out on page 25, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board are responsible for assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Statutory Auditor

Manchester

1 AUGUST 2019

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

GREAT PLACES HOUSING GROUP LIMITED

Year ended 31 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2019 £'000	2018 £'000
Turnover (excluding amortisation of government grants, first tranche sales and outright sales)		88,653	85,463
Amortisation of government grants	23	5,439	5,428
First tranche sales and outright sales	4	15,025	9,792
Total turnover	4	**109,117**	**100,683**
Operating costs	4	(63,184)	(61,656)
Cost of sales	4	(13,195)	(8,337)
Surplus on sale of fixed assets	5	3,611	2,283
Operating surplus	6	**36,349**	**32,973**
Share of operating profit of joint venture	16	-	45
Interest from fixed asset investment	16	36	33
Income from current asset investment	19	198	286
Interest receivable	7	579	319
Interest payable and financing costs	8	(24,763)	(23,352)
PTGP/SHPS pension re-measurement	27	(1)	116
Movement in fair value of financial instruments	8	234	496
Movement in fair value of investment properties	13	863	905
Surplus on ordinary activities before taxation		**13,495**	**11,821**
Tax on surplus on ordinary activities	10	253	12
Surplus for the financial year		**13,748**	**11,833**
Actuarial (losses)/gains on defined benefit pension schemes	27	(3,486)	387
Re-measurement of SHPS obligation	27	(8,310)	-
Movement in fair value of hedged financial instruments	8	(1,564)	6,522
Tax credit in relation to other comprehensive income	10	673	-
Other comprehensive (loss)/income		**(12,687)**	**6,909**
Total comprehensive income for the year		**1,061**	**18,742**

All amounts relate to continuing activities.

The accompanying notes on pages 38 to 88 form part of these financial statements.

Board member
A. Davison

Board member
J. Rayner

Secretary
P. Elvy

GREAT PLACES HOUSING GROUP LIMITED

Year ended 31 March 2019

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

	Note	2019 £'000	2018 £'000
Turnover	4	16,573	15,662
Cost of Sales	4	(593)	-
Operating costs	4	(16,238)	(15,660)
Operating (deficit)/surplus	6	**(258)**	**2**
Interest receivable and other income	7	20,920	18,363
Interest payable and financing costs	8	(21,014)	(18,393)
SHPS pension re-measurement	27	-	26
Interest from fixed asset investment	16	36	33
(Deficit)/surplus on ordinary activities before taxation		**(316)**	**31**
Tax on (deficit)/surplus on ordinary activities	10	289	50
(Deficit)/surplus for the financial year		**(27)**	**81**
Actuarial losses on defined benefit pension schemes	27	(1,621)	-
Re-measurement of SHPS obligation	27	(2,189)	-
Tax credit in relation to other comprehensive income	10	673	-
Other comprehensive loss		**(3,137)**	**-**
Total comprehensive (loss)/income for the year		**(3,164)**	**81**

All amounts relate to continuing activities.

The accompanying notes on pages 38 to 88 form part of these financial statements.

Board member
A. Davison

Board member
J. Rayner

Secretary
P. Elvy

GREAT PLACES HOUSING GROUP LIMITED

Year ended 31 March 2019

CONSOLIDATED BALANCE SHEET

	Note	2019 £'000	2018 £'000
Tangible fixed assets			
Housing properties	12	1,047,507	1,037,024
Investment properties	13	17,679	18,217
Other tangible fixed assets	14	8,180	8,188
		1,073,366	**1,063,429**
Fixed asset investments			
Homebuy loans	15	6,892	7,551
Fixed asset investments	16	896	999
Investment in associate	16	-	60
Investment in joint venture	16	60	10
Total fixed asset investments		**7,848**	**8,620**
Total fixed assets		**1,081,214**	**1,072,049**
Current assets			
Stock and work in progress	17	22,165	10,509
Debtors	18	12,767	13,816
Investments	19	25,129	24,504
Cash and cash equivalents		62,128	75,218
		122,189	**124,047**
Creditors: Amounts falling due within one year	20	(61,280)	(60,120)
Net current assets		**60,909**	**63,927**
Total assets less current liabilities		**1,142,123**	**1,135,976**
Creditors:			
Deferred capital grant due after more than one year	21	(464,931)	(467,764)
Other creditors falling due after more than one year	21	(588,457)	(599,946)
Pension liability	27	(20,313)	(905)
Net assets		**68,422**	**67,361**
Capital and reserves			
Share capital (non-equity)	29	-	-
Income and expenditure reserve		110,449	108,222
Revaluation reserve		2,561	2,158
Designated reserve		157	162
Cash flow hedge reserve		(44,745)	(43,181)
Consolidated funds		**68,422**	**67,361**

The accompanying notes on pages 38 to 88 form part of these financial statements.

The financial statements were authorised for issue and approved by the Board on 25 July 2019 and signed on its behalf by:

Board member - A. Davison

Board member – J. Rayner

Secretary – P. Elvy

GREAT PLACES HOUSING GROUP LIMITED

Year ended 31 March 2019

ASSOCIATION BALANCE SHEET

	Note	2019 £'000	2018 £'000
Tangible fixed assets			
Other tangible fixed assets	14	1,319	1,298
Fixed asset investments			
Investments	16	386	421
Investment in associate	16	-	63
Total fixed asset investments		**386**	**484**
Total fixed assets		**1,705**	**1,782**
Debtors: Amounts falling due after one year	18	505,434	510,151
Current assets			
Debtors	18	20,197	18,294
Investments	19	19,292	18,386
Cash and cash equivalents		112	113
		39,601	**36,793**
Creditors: Amounts falling due within one year	20	(40,859)	(38,059)
Net current liabilities		**(1,258)**	**(1,266)**
Total assets less current liabilities		**505,881**	**510,667**
Creditors:			
Amounts falling due after more than one year	21	(505,434)	(511,957)
Pension liability	27	(4,901)	-
Net liabilities		**(4,454)**	**(1,290)**
Capital and reserves			
Share capital (non-equity)	29	-	-
Income and expenditure reserve		(4,454)	(1,290)
Association's deficit		**(4,454)**	**(1,290)**

The accompanying notes on pages 38 to 88 form part of these financial statements.

The financial statements were authorised for issue and approved by the Board on 25 July 2019 and signed on its behalf by:

Board member
A. Davison

Board member
J. Rayner

Secretary
P. Elvy

GREAT PLACES HOUSING GROUP LIMITED

Year ended 31 March 2019

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

	Cash flow hedge reserve £'000	Revaluation reserve £'000	Designated reserve £'000	Income and expenditure reserve £'000	Total £'000
As at 1 April 2018	(43,181)	2,158	162	108,222	67,361
Surplus for the year	-	-	-	13,748	13,748
Actuarial losses on defined benefit pension schemes	-	-	-	(3,486)	(3,486)
Re-measurement of SHPS obligation	-	-	-	(8,310)	(8,310)
Fair value adjustments of financial instruments	(1,564)	-	-	-	(1,564)
Tax credit in relation to other comprehensive income	-	-	-	673	673
Transfers	-	403	(6)	(397)	-
Interest credited from I&E reserve	-	-	1	(1)	-
As at 31 March 2019	**(44,745)**	**2,561**	**157**	**110,449**	**68,422**

	Cash flow hedge reserve £'000	Revaluation reserve £'000	Designated reserve £'000	Income and expenditure reserve £'000	Total £'000
As at 1 April 2017	(49,703)	2,023	161	96,138	48,619
Surplus for the year	-	-	-	11,833	11,833
Actuarial gains on pension scheme	-	-	-	387	387
Fair value adjustments of financial instruments	6,522	-	-	-	6,522
Transfers	-	135	-	(135)	-
Interest credited from I&E reserve	-	-	1	(1)	-
As at 31 March 2018	**(43,181)**	**2,158**	**162**	**108,222**	**67,361**

GREAT PLACES HOUSING GROUP LIMITED

Year ended 31 March 2019

ASSOCIATION STATEMENT OF CHANGES IN RESERVES

	Income and expenditure reserve	Total
	£'000	**£'000**
As at 1 April 2018	(1,290)	(1,290)
Deficit for the year	(27)	(27)
Actuarial losses on defined benefit pension schemes	(1,621)	(1,621)
Re-measurement of SHPS obligation	(2,189)	(2,189)
Tax credit in relation to other comprehensive income	673	673
As at 31 March 2019	**(4,454)**	**(4,454)**

	Income and expenditure reserve	Total
	£'000	**£'000**
As at 1 April 2017	(1,371)	(1,371)
Surplus for the year and total comprehensive income	81	81
As at 31 March 2018	**(1,290)**	**(1,290)**

CONSOLIDATED STATEMENT OF CASH FLOWS

	2019 £'000	2018 £'000
Cash flows from operating activities		
Surplus for the financial year	**13,748**	11,833
Non cash adjustments to surplus:		
Depreciation of housing properties	**17,743**	15,603
Depreciation of fixed assets - other	**760**	653
Impairment – housing properties	**365**	3,206
Impairment – work in progress	**25**	126
Amortised grant	**(5,439)**	(5,428)
Share of loss in joint venture	**-**	(45)
Adjustment for investing or financing activities:		
Surplus on the sale of fixed assets	**(3,611)**	(2,283)
Proceeds from sale of fixed assets	**10,887**	10,761
Cost of sales on properties developed for sale	**12,602**	8,337
Interest payable and finance costs	**24,763**	23,352
Interest received	**(579)**	(319)
Taxation expense	**(253)**	(12)
Other adjustments to surplus:		
Net fair value (gains) recognised in profit or loss	**(1,097)**	(1,401)
Difference between net LGPS pension expense and cash contribution	**44**	110
Difference between net SHPS/PTGP pension expense and cash contribution	**(1,281)**	(1,325)
Adjustment for working capital:		
Cash expenditure on developing property for resale	**(22,298)**	(8,354)
Decrease in trade and other debtors	**(2,901)**	1,466
Increase in stocks	**(64)**	(337)
Increase in trade and other creditors	**2,091**	3,978
Cash from operations	**45,505**	59,921
Corporation tax paid	**106**	(136)
Net cash generated from operating activities	**45,611**	59,785

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	2019 £'000	2018 £'000
Cash flows from investing activities		
Purchase and construction of fixed asset housing properties	**(36,080)**	(43,690)
Social housing grant received	**11,243**	3,891
Homebuy loans repaid	**659**	621
Fixed asset investments	**113**	33
Sale of other fixed assets	**210**	3,429
Purchase of other fixed assets	**(752)**	(1,874)
Purchase and construction of investment properties	**(59)**	(1,902)
Redemption/(purchase) of current asset investments	**2,079**	(2,080)
(Increase)/decrease in cash collateral held by counterparties	**(2,704)**	7,992
Interest received	**579**	319
Net cash used in investing activities	**(24,712)**	(33,261)
Cash flows from financing activities		
Interest paid	**(27,906)**	(22,195)
Loan issue costs and other fees incurred	**-**	(1,226)
Bond finance received	**-**	92,625
Bank loans received	**3,045**	5,000
Bank loans repaid	**(9,128)**	(80,939)
Net cash from financing	**(33,989)**	(6,735)
(Decrease)/increase in cash	**(13,090)**	19,789
Cash at beginning of year	**75,218**	55,429
Cash at end of year	**62,128**	75,218

1. Legal status

The Association is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a social housing provider.

2. Accounting policies

Major accounting policies are detailed within the relevant note from note 4 onwards.

Basis of accounting

The financial statements of the Group and Association have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Great Places Housing Group included the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland", the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018 "Accounting by registered social housing providers" 2018, and the Accounting Direction for Private Registered Providers of Social Housing 2019.

The Association is a Public Benefit Entity (PBE) and has applied the provisions for FRS102 specifically applicable to PBEs.

In preparing the separate financial statements of the parent Association, advantage has been taken of the disclosure exemptions available in FRS 102 insofar as no cash flow statement has been presented for the parent Association.

In the preparation of these financial statements, the requirements set out in: "Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland: Multi-employer defined benefit plans" have been adopted early. This has resulted in changes to the accounting policy for the SHPS multi-employer scheme from the start of the reporting period. This means that accounting for SHPS has not been consistently applied as compared to reporting in prior years. Further information on the impact of early adopting these requirements is set out in note 27.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgement in applying the Group's accounting policies.

Basis of consolidation

The Group accounts consolidate the accounts of the Association and all its subsidiaries at 31 March using acquisition accounting.

Value Added Tax (VAT)

GPHA, Plumlife and Cube are VAT registered as part of the GPHG registration. A large proportion of their income, (rents and service charges) are exempt for VAT purposes thus giving rise to a partial exemption calculation. Terra Nova is registered separately for VAT. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Reserves

The Group designates those reserves which have been set aside for uses which, in the judgement of the Directors, prevent them from being regarded as part of the free reserves of the Association. The only reserve which constitutes free reserves is the Income and Expenditure reserve.

2. Accounting policies (continued)

The Group has a reserve that is designated for use in the support, training and development of apprentice maintenance employees. The revaluation reserve is created from surpluses on the revaluation of investment properties held by the Group.

The Association has a cash flow hedge reserve which is used for the effective hedges that are in place for the standalone interest rate swap agreements. Where an effective hedge is in place the fair value movement on the swap is recognised in the cash flow hedge reserve. Where that is no effective hedge it is recognised in the revenue reserve.

Liquid resources

Liquid resources are readily disposable current asset investments. They include some money market deposits, held for more than 24 hours, which can only be withdrawn without penalty on maturity, or by giving notice of more than one working day.

Service charges

The Association has both fixed and variable service charges for its tenants and leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the estimated amounts chargeable.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the key judgements have been made in respect of the following:

- Whether there are indicators of impairment of the Group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. We have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on Existing Use Value – Social Housing or depreciated replacement cost.

- The anticipated costs to complete on a development scheme based on expected construction cost, the effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, we then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the Executive Directors' best estimate of sales value based on economic conditions within the area of development.

- The Group's loan facilities have been assessed as basic financial instruments. The Group's fixed rate loan facilities allow early payment of the principal and accrued interest in relation to fixed interest tranches. There is an indemnity clause that requires the borrower to pay a compensation premium to the lender if market rates have fallen since the inception of the loan. There is also a clause that means that if market rates have increased, the borrower (i.e. the Group) would benefit from a compensation premium. The Group does not consider that the clause allowing the Group to potentially receive a compensation premium upon early repayment of some or all of the fixed rate loan liability makes this financial instrument "non-basic" or "other" as outlined in FRS 102 section 11. The Group considers that this particular loan clause is specifically compliant with section 11.9b and 11.9c of FRS 102 and that the substance of this loan arrangement was that it was always intended to be a simple fixed rate loan arrangement.

3. Judgements in applying accounting policies and key sources of estimation (continued)

- Whether leases entered into by the Group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

- The appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership properties between current and fixed assets.

- The categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.

- What constitutes a cash generating unit when indicators of impairment require there to be an impairment review.

Other key sources of estimation uncertainty

Tangible fixed assets (see notes 12 to 14)
Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

Investment properties are professionally valued annually by an external firm of chartered surveyors on the basis of either Market Value – Vacant Possession ("MV-VP") or Market Value – Subject to Tenancies ("MV-ST"). The rental income of each property has been individually assessed and for certain properties it has been ascertained that in arriving at MV-ST no deduction from the prevailing MV-VP needs to be made.

Rental and other trade receivables (debtors) (see note 18)
The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

Pensions
The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rates and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.

4. Particulars of turnover, cost of sales, operating costs and operating surplus

Policies

Income
Income is measured at the fair value of the consideration received or receivable. The Group generates the following material income streams:

- Rental income receivable (after deducting lost rent from void properties available for letting);
- Sale of first tranche Low Cost Home Ownership and other housing properties developed for sale;
- Service charge receivable;
- Revenue grants and amortisation of capital grants; and
- Proceeds from the sale of land and property.

Rental income is recognised from the point when properties under development reach practical completion and are formally let. Income from first tranche sales is recognised at the point of the legal completion of the sale. Proceeds from the sale of land or property are recognised at completion of the sale.

Leased assets
Where assets are financed by leasing agreements that give rights similar to ownership (finance leases), the assets are treated as if they have been purchased outright. The assets leased by the Group under finance leases are Investment Properties and are therefore accounted for under FRS 102 as Investment Properties. The corresponding leasing commitments are shown as amounts payable to the lessor.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the income statement over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. The annual rentals are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

Grants
Grants in respect of revenue expenditure are credited to the income statement when the conditions for receipt of agreed grant funding are met.

Capital grant is released to the income and expenditure account on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2018 the useful economic life of the housing property structure has been selected.

Property managed by agents
Where the Group carries the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the statement of comprehensive income of the Group.

Where the agency carries the financial risk, the statement of comprehensive income includes only that income and expenditure which relates to the Group.

In both cases, where revenue grants are claimed by the Group, these are included as income in the statement of comprehensive income to the extent that they are passed to the agent.

4. Particulars of turnover, cost of sales, operating costs and operating surplus (continued)

GROUP

	Turnover	Cost of sales	Operating costs	2019 Operating surplus
	£'000	£'000	£'000	£'000
Social housing lettings	**87,334**	**-**	**(57,473)**	**29,861**
Other social housing activities				
Supporting people	1,636	-	(1,430)	206
Properties managed but owned by others	1,522	-	(1,205)	317
First tranche shared ownership sales	10,957	(9,249)	-	1,708
Marketing income	1,317	-	(1,429)	(112)
Materials supply to other housing provider	761	(593)	(163)	5
Other	234	-	(468)	(234)
	16,427	**(9,842)**	**(4,695)**	**1,890**
Non-social housing activities				
Market and commercial rented	1,288	-	(1,016)	272
Developments for sale	4,068	(3,353)	-	715
	5,356	**(3,353)**	**(1,016)**	**987**
	109,117	**(13,195)**	**(63,184)**	**32,738**
Surplus on disposal of fixed assets (note 5)				3,611
				36,349

ASSOCIATION

	Turnover	Cost of sales	Operating costs	2019 Operating deficit
	£'000	£'000	£'000	£'000
Management and development services	15,812	-	(16,075)	(263)
Materials supply to other housing provider	761	(593)	(163)	5
	16,573	**(593)**	**(16,238)**	**(258)**

4. Particulars of turnover, cost of sales, operating costs and operating surplus (continued)

GROUP				**2018**
	Turnover	**Cost of sales**	**Operating costs**	**Operating surplus**
	£'000	**£'000**	**£'000**	**£'000**
Social housing lettings	**85,214**	**-**	**(55,759)**	**29,455**
Other social housing activities				
Supporting people	1,692	-	(2,490)	(798)
Properties managed but owned by others	1,411	-	(1,458)	(47)
First tranche shared ownership sales	7,584	(6,791)	-	793
Marketing income	745	-	(334)	411
Other	673	-	(778)	(105)
	12,105	**(6,791)**	**(5,060)**	**254**
Non-social housing activities				
Market and commercial rented	1,156	-	(711)	445
Developments for sale	2,208	(1,546)	(126)	536
	3,364	**(1,546)**	**(837)**	**981**
	100,683	**(8,337)**	**(61,656)**	**30,690**
Surplus on disposal of fixed assets (note 5)				2,283
				32,973

ASSOCIATION				**2018**
	Turnover	**Cost of sales**	**Operating costs**	**Operating surplus**
	£'000	**£'000**	**£'000**	**£'000**
Management and development services	15,662	-	(15,660)	2
	15,662	**-**	**(15,660)**	**2**

Particulars of income and expenditure from social housing lettings for the Group are shown on the table overleaf.

4. Particulars of turnover, cost of sales, operating costs and operating surplus (continued)

	General needs housing	Supported housing*	Key worker housing	Low cost home ownership	Total 2019	Total 2018
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Rent receivable net of identifiable service charges	62,425	7,258	209	3,380	73,272	72,478
Service charge income	2,080	3,476	-	236	5,792	5,772
Charges for support services	-	463	-	-	463	418
Amortisation of government grants	4,304	729	-	377	5,410	5,399
Other income	1,549	763	60	25	2,397	1,147
Turnover from social housing lettings	**70,358**	**12,689**	**269**	**4,018**	**87,334**	**85,214**
Management	(11,478)	(2,953)	(1)	(1,260)	(15,692)	(14,070)
Service charge costs	(3,063)	(3,229)	(83)	(240)	(6,615)	(5,960)
Routine maintenance	(6,164)	(1,351)	(14)	(14)	(7,543)	(7,559)
Planned maintenance	(3,077)	(439)	-	(1)	(3,517)	(3,045)
Major repairs expenditure	(4,167)	(767)	(3)	(82)	(5,019)	(4,755)
Bad debts	(702)	(129)	17	2	(812)	(456)
Property lease charges	(229)	(8)	-	-	(237)	(229)
Depreciation of housing properties:					-	
-annual charge	(14,194)	(1,620)	(25)	(964)	(16,803)	(15,526)
-accelerated on disposal of components	(835)	(25)	-	-	(860)	(912)
Impairment of housing properties	-	(365)	-	-	(365)	(3,206)
Other costs	(9)	(1)	-	-	(10)	(41)
Operating expenditure on social housing lettings	**(43,918)**	**(10,887)**	**(109)**	**(2,559)**	**(57,473)**	**(55,759)**
Operating surplus on social housing lettings	**26,440**	**1,802**	**160**	**1,459**	**29,861**	**29,455**
Void losses	(263)	(324)	(63)	(2)	(652)	(930)

** Supported Housing includes Housing for Older People*

5. Surplus on sale of fixed assets – housing properties

GROUP

	Shared ownership	Other housing properties	Investment properties	Open Market Home Buy	Total 2019	Total 2018
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Disposal proceeds (net of costs)	4,930	6,028	230	698	**11,886**	13,672
Carrying value of fixed assets	(2,632)	(1,386)	(210)	-	**(4,228)**	(8,052)
	2,298	**4,642**	**20**	**698**	**7,658**	5,620
Capital grant recycled (note 24)	(989)	(2,434)	-	(624)	**(4,047)**	(3,337)
	1,309	**2,208**	**20**	**74**	**3,611**	2,283

ASSOCIATION

The Association has no sales of fixed assets.

6. Operating surplus

This is arrived at after charging:

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Depreciation of housing properties	16,882	15,603	-	-
Accelerated depreciation on component disposal	860	912	-	-
Impairment of housing properties	365	3,206	-	-
Impairment of work in progress	25	126	-	-
Depreciation of other tangible fixed assets	760	653	641	529
Amounts paid under operating leases:				
-Land and buildings	237	229	-	-
-Vehicles	485	467	473	467
-Photocopiers and printers	28	24	28	24
Auditors' remuneration (excluding VAT)				
-for the audit of the financial statements	58	56	15	14
- other audit related services	-	2	-	2
- other services relating to taxation	30	17	18	5
- other services relating to treasury*	-	25	-	25

**These costs were capitalised as loan arrangement fees.*

7. Interest receivable and other income

Policy
Interest receivable is credited to the income statement in the year.

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Interest receivable and similar income	579	319	2	3
Intra group interest receivable	-	-	20,918	18,360
	579	319	20,920	18,363

8. Interest payable and financing costs

Policies
Interest payable
Interest is capitalised on borrowings to finance developments up to the date of practical completion or final sale of a shared ownership scheme if it represents either:

a) interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or
b) interest on borrowings of the Group as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the income statement in the year.

Derivative instruments and hedge accounting
The Group holds floating rate loans which expose the Group to interest rate risk. To mitigate this risk the Group uses interest rate swaps. These instruments are measured at fair value at each reporting date. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group has designated each of the swaps, with the exception of the Credit Suisse swap, against existing drawn floating rate debt. To the extent the hedge is effective, movements in fair value adjustments, other than adjustments for own or counter party credit risk, are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any movements in fair value relating to ineffectiveness and adjustments for our own or counter party credit risk are recognised in the income statement.

Leased assets
The interest element of rental obligations is charged to the statement of comprehensive income over the period of the lease in proportion to the balance of capital repayments outstanding.

8. Interest payable and financing costs (continued)

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Interest and financing costs				
Loans and bank overdrafts	24,245	22,424	20,918	18,360
Other financing costs	1,169	1,626	-	-
Net interest payable on pension liabilities	441	121	96	33
Finance leases	195	188	-	-
Payable on Recycled Capital Grants	77	28	-	-
	26,127	24,387	21,014	18,393
Interest payable capitalised on housing properties	(1,364)	(1,035)	-	-
	24,763	**23,352**	**21,014**	**18,393**
Other financing costs				
Gain on fair value of non-hedged derivative instruments	(234)	(496)	-	-
Financing costs through other comprehensive income				
Loss /(gain) on fair value of hedged derivative instruments	1,564	(6,522)	-	-
	26,093	**16,334**	**21,014**	**18,393**

Other financing costs include non-utilisation and commitment fees paid, and arrangement fees amortised or written off. Capitalised interest was charged at rates of 0.50% to July 2018 then 0.75% (2018: 0.25% to Nov 2017 then 0.5%) receivable and 4.7854% (2018: 4.6882%) payable.

It is the Association which is the legal party to the swap agreements, but its subsidiary Great Places Housing Association ("GPHA") has indemnified the Association against any obligations in relation to the swaps. Therefore the ultimate cost is borne by GPHA and the Association shows an equal gain and loss in relation to its fair value asset due from GPHA (note 18) and the fair value liability to the swap counterparties (notes 20 and 21).

The swap fair values have been obtained from the valuations provided by the swap counterparties at each reporting date and compared with valuations obtained from the Group's treasury advisors for assurance.

9. Gift aid

A gift aid payment of £870k (2018: £598k) was made by Plumlife Homes Limited to Great Places Housing Association on 25 March 2019 in respect of the period ended 31 March 2019. A gift aid payment was made from Cube Homes Limited ("Cube") to GPHA of £409k (2018: £300k) on 25 March 2019. It is therefore deemed for the purposes of s338 of the Income & Corporation Taxes Act 1988 to be a charge on income in the respective accounting period. In the year to March 2019 Terra Nova Developments Limited ("Terra Nova") made a gift aid payment of £12k (2018: £15k) to GPHA. These transactions are eliminated on consolidation.

10. Tax on surplus on ordinary activities

Policy

Taxation
Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except that a change attributable to an item of income and expense is recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the United Kingdom.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

10. Tax on surplus on ordinary activities (continued)

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Current tax				
UK corporation tax charge for year	(123)	79	(159)	6
Adjustments in respect of prior years	-	(108)	-	(73)
	(123)	(29)	(159)	(67)
Deferred tax				
Net origination and reversal of timing differences	(138)	13	(138)	13
Effect of tax rate change on opening balance	8	4	8	4
	(130)	17	(130)	17
	(253)	**(12)**	**(289)**	**(50)**
Tax reconciliations				
Surplus/(deficit) on ordinary activities before tax	13,495	11,821	(316)	31
Less: exempt due to charitable status of subsidiary association	(13,210)	(11,139)	-	-
	285	682	(316)	31
Whereon corporation tax at the standard rate of 19%	54	129	(60)	6
Effects of:				
Expenses not deductible for tax purposes	(94)	(50)	(16)	-
Adjustments in respect of prior years	-	(108)	-	(73)
Utilisation of brought forward losses	(84)	-	(83)	-
Deferred tax charge	(130)	17	(130)	17
Total tax charge	**(253)**	**(12)**	**(289)**	**(50)**
Deferred tax				
At the beginning of the year	66	83	66	83
Credit/(charge) for year	130	(17)	130	(17)
At the end of the year– asset (note 18)	**196**	**66**	**196**	**66**
Comprising:				
Accelerated capital allowance	196	66	196	66
	196	**66**	**196**	**66**

The aggregate current and deferred tax relating to items recognised in other comprehensive income for the group and the Association, arising from losses in relation to the SHPS pension scheme, is a credit of £673k (2018: £nil). Hence the total deferred tax asset in note 18 is £869k (2018: £66k).

11. Directors and members

The directors of the Association are the members of the Board and the Chief Executive.

Executive Directors
Executive Directors include the Chief Executive and those officers who are executive directors and who report directly to the Chief Executive. Emoluments shown below include pension contributions.

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Emoluments of the Association's executive directors	601	559	601	559

The number of executive directors who received emoluments (including pension contributions, contractual termination payments, performance bonus and pay in lieu of notice) in the following ranges was:

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
£100,001 to £110,000	-	1	-	1
£110,001 to £120,000	-	1	-	1
£130,001 to £140,000	2	1	2	1
£150,001 to £160,000	1	-	1	-
£160,001 to £170,000	-	1	-	1
£180,001 to £190,000	1	-	1	-

The amounts shown above are in relation to the Group's executive directors who were paid solely in respect of the performance of their duties.

Emoluments of the highest paid executive, excluding pension contributions:

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Wages and salaries	172	162	172	162
Total	172	162	172	162

The Chief Executive received emoluments totalling £172k (2018: £162k). The Chief Executive is an ordinary member of the Social Housing Pension Scheme. The scheme is a career average salary scheme funded by contributions from the employer and employee. A contribution of £8k (2018: £8k) was paid by the employer in addition to those made by the Chief Executive himself.

11. Directors and members (continued)

On 1 April 2010, the Social Housing Pension Scheme ("SHPS") started to collect contributions in respect of historic pension deficits through a lump sum payment levied on the employer, rather than a percentage that could be directly attributed to individual SHPS members. As such the historic deficit pension contributions relating to the Executive Directors cannot be ascertained and are not included in the figures above.

Non Executive Directors

The fees and expenses paid by the Association during the year to the non-executive Directors, its subsidiary Boards and its Committees, are shown in the following table.

Name	Date served (if not for whole period)	GPHG	GPHA	PLUMLIFE	CUBE	A&AC*	R&AC*	2019 £000s	2018 £000s
Babar Ahmad	-				✓			3	1
Christine Amyes	from 18/10/2018	✓	✓	✓			✓	2	-
Celia Cashman	-	✓	✓	✓		✓		6	6
Tony Davison	-	✓	✓	✓			✓	14	14
Jan Fitzgerald	-	✓	✓	✓			✓	6	6
Jerry Green	-	✓	✓	✓		✓		7	7
Michael Hanson	from 18/10/2018	✓	✓	✓		✓		2	-
Brendan Nevin	-	✓	✓	✓		✓		6	6
Emma Prichard Selby	from 7/11/2018				✓			1	-
Jenny Rayner	-	✓	✓	✓			✓	8	8
David Robinson	-	✓	✓	✓	✓			6	6
Will Taylor	to 31/7/2018				✓			2	7
Samantha Young	-	✓	✓	✓		✓		6	3
								67	**64**

***A&AC** is the Audit and Assurance Committee, **R&AC** is the Remuneration and Appraisal Committee.

Other staff

The full time equivalent number of staff whose remuneration is £60,000 or more (including pension contributions) is disclosed below:

	Group		Association	
	2019 No.	**2018 No.**	**2019 No.**	**2018 No.**
£60,001 to £70,000	4	5	3	4
£70,001 to £80,000	4	5	3	3
£80,001 to £90,000	2	1	2	1
£90,001 to £100,000	1	-	1	-
£110,001 to £120,000	1	-	1	-

12. Tangible fixed assets – housing properties

Policies

Housing properties
Housing properties are principally properties which are available for rent and are stated at cost less depreciation and impairment. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

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

Shared ownership properties and staircasing
Under low cost home ownership arrangements, the Association disposes of a long lease on low cost home ownership units for a share ranging between 35% and 75% of value. The buyer has the right to purchase further proportions up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset. The remaining element, is classed as Property, Plant and Equipment (“PPE”) and included in completed housing properties at cost, less any provisions needed for depreciation or impairment. Sales of subsequent tranches are treated as a part disposal of PPE. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

Donated land
Land donated by local authorities and other government sources is added to cost at the fair value of the land at the time of the donation and an amount equivalent to the increase in value between market value and cost is added to other grants and recognised in the balance sheet as a liability. Where the donation is from a non-public source, the value of the donation is included as income.

Depreciation of housing properties
Housing land and property is split between land, structure and other major components that are expected to require replacement over time. Land is not depreciated on account of its indefinite useful economic life. Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

The cost of all other housing property (net of accumulated depreciation to date and impairment, where applicable) and components is depreciated over the useful economic lives of the assets on the following basis:

Structure	100 years	Heating systems	25 Years
Roofs	60 Years	External doors	25 Years
Bathrooms	25 Years	Solar and photovoltaic panels	25 Years
Windows	25 Years	Kitchens	20 Years
Lifts	25 years	Boilers	12 Years

12 Tangible fixed assets – housing properties (continued)

Impairment
The housing property portfolio for the Association is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or Cash Generating Units ("CGUs") for which impairment is indicated to their recoverable amounts. Initially the Association compares the fair value less costs to sell by reference to EUV-SH. If this is lower than the net book value, the CGUs are then assessed for their value in use by calculating a Depreciated Replacement Cost ("DRC") for each CGU.

The DRC will be based upon the lower of:

- the cost of constructing an equivalent asset on the same site together with the original land costs; or
- the cost of acquiring an equivalent asset on the open market.

The Association defines CGUs as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger generating units. Where the recoverable amount of an asset or CGU is lower than its carrying value an impairment is recorded through to the income statement.

Stock swaps
Housing properties acquired from other social landlords in exchange for non-monetary assets, or a combination of monetary and non-monetary assets, are measured at fair value. Where there is government grant associated with housing properties acquired as part of the stock swap, the obligation to repay or recycle the grant transfers to the Association. The fair value of the properties is included within property, plant and equipment and accordingly no grant is disclosed within creditors. In the event of the housing properties being disposed, the Association is responsible for the recycling of the grant. Where there is government grant associated with housing properties disposed of as part of the stock swap, the obligation to repay or recycle transfers to the social landlord to whom they were transferred.

Leased assets
Assets held under finance leases are included in the balance sheet and depreciated over the life of the lease or their estimated useful economic lives in the business, if shorter.

The Tangible Fixed Assets – Housing Properties for the Group are shown overleaf.

Impairment
An impairment charge of £365k (2018: £3,206k) was made in the year. This charge relates to a supported scheme in Liverpool which completed in April 2019.

Interest capitalised
Cumulative interest capitalised in housing properties is £9,084k (2018: £8,391k).

ASSOCIATION

The Association has no Housing Properties.

12 Tangible fixed assets – housing properties (continued)

	Social housing properties held for letting	Other social housing properties held for letting	Housing properties for letting under construction	Completed shared ownership housing properties	Shared ownership housing properties under construction	Total housing properties 2019
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
As at 1 April 2018	1,053,191	1,090	16,056	117,816	12,964	1,201,117
Additions	276	-	17,865	138	8,811	27,090
Components capitalised	8,250	-	-	-	-	8,250
Interest capitalised	-	-	251	-	442	693
Schemes completed	9,815	-	(9,815)	6,919	(6,919)	-
Disposals	(6,236)	-	-	(3,900)	-	(10,136)
Component disposals	(3,204)	-	-	-	-	(3,204)
As at 31 March 2019	**1,062,092**	**1,090**	**24,357**	**120,973**	**15,298**	**1,223,810**
Depreciation and impairment						
As at 1 April 2018	154,633	160	-	9,300	-	164,093
Charged in year	15,901	8	-	973	-	16,882
Component disposal	(2,343)	-	-	-	-	(2,343)
Released on disposal	(2,357)	-	-	(337)	-	(2,694)
Impairment charge	365	-	-	-	-	365
As at 31 March 2019	**166,199**	**168**	**-**	**9,936**	**-**	**176,303**
NBV as at 31 March 2019	**895,893**	**922**	**24,357**	**111,037**	**15,298**	**1,047,507**
NBV as at 31 March 2018	898,558	930	16,056	108,516	12,964	1,037,024

Expenditure to works on existing properties

	2019	2018
	£'000	£'000
Amounts capitalised	8,250	11,676
Amounts charged to income statement	5,019	4,755
	13,269	**16,431**

Housing properties book value, net of depreciation impairment

	2019	2018
	£'000	£'000
Freehold land and buildings	751,085	748,264
Long leasehold land and buildings	296,422	288,760
	1,047,507	**1,037,024**

13. Tangible fixed assets – investment properties

Policies

Investment properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently carried at fair value determined annually by external valuers and derived from either Market Value – Vacant Possession (MV-VP) or Market Value – Subject to Tenancies (MV-ST). The rental income of each property has been individually assessed and for certain properties it has been ascertained that in arriving at MV-ST no deduction from the prevailing MV-VP needs to be made. No depreciation is provided. Changes in fair value are recognised in the income statement.

Leased assets

Assets held under finance leases are included in the balance sheet as investment properties.

The investment properties were valued at 31 March 2019 by Aspin and Company Chartered Surveyors, on the basis of Market Value, as defined in the Valuation Standards of the Royal Institution of Chartered Surveyors. The surplus on revaluation of investment properties is £863k. Of this £403k has been credited to the revaluation reserve as it represents an increase to the original property values rather than a reversal of a previous negative revaluation.

	Investment Properties completed	Investment Properties under construction	Investment Properties Total 2019	Investment Properties Total 2018
	£'000	£'000	£'000	£'000
At the beginning on the year	15,640	2,577	18,217	15,500
Additions	-	59	59	1,902
Disposals	(210)	-	(210)	(90)
Reclassified to properties for resale	-	(1,250)	(1,250)	-
Revaluations	863	-	863	905
At the end of the year	**16,293**	**1,386**	**17,679**	**18,217**

If investment property had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2019	2018
	£'000	£'000
Gross cost	17,884	18,423
Accumulated depreciation based on historical cost	(5,321)	(5,236)
Historical cost net book value	**12,563**	**13,187**

ASSOCIATION

The Association has no investment properties.

14. Tangible fixed assets - other

Policy

Other tangible fixed assets

Other fixed assets, other than investment properties, are stated at historic cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight line basis on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold and leasehold office property	50 to 60 years
Office equipment, fixtures and fittings	4 to 10 years
Fixtures and fittings	3 years
ICT equipment	3 to 4 years

GROUP	Freehold offices £'000	ICT equipment £'000	Total £'000
Cost			
As at 1 April 2018	7,823	2,558	10,381
Additions	90	662	752
As at 31 March 2019	**7,913**	**3,220**	**11,133**
Depreciation and Impairment			
As at 1 April 2018	933	1,260	2,193
Charged in year	119	641	760
As at 31 March 2019	**1,052**	**1,901**	**2,953**
NBV as at 31 March 2019	**6,861**	**1,319**	**8,180**
NBV as at 31 March 2018	6,890	1,298	8,188

ASSOCIATION	ICT equipment £'000	Total £'000
Cost		
As at 1 April 2018	2,558	2,558
Additions	662	662
As at 31 March 2019	**3,220**	**3,220**
Depreciation		
As at 1 April 2018	1,260	1,260
Charge for the year	641	641
As at 31 March 2019	**1,901**	**1,901**
NBV as at 31 March 2019	**1,319**	**1,319**
NBV as at 31 March 2018	1,298	1,298

15. Investments – Homebuy loans

Policy

Homebuy loans

Homebuy loans are treated as concessionary loans. They are initially recognised as a loan at the amount paid to the purchaser and are subsequently updated to reflect accrued interest and any impairment loss is recognised in the income statement to the extent that it cannot be offset against the Homebuy grant. Grant relating to Homebuy equity is recognised as deferred income until the loan is redeemed and the grant becomes recyclable when the loans are repaid up to the amount of the original grant and to the extent that the proceeds permit. The Group is able to retain any surplus proceeds less sale costs attributable to the equivalent loaned percentage share of the property. If there is a fall in the value of the property the shortfall in proceeds is offset against the recycled grant.

GROUP	2019	2018
	£'000	£'000
At the beginning of the year	7,551	8,134
Loans redeemed	(659)	(626)
Reclassification	-	43
At the end of the year	**6,892**	**7,551**

16. Fixed asset investment

Policy

Associates and joint ventures

An entity is treated as an associated undertaking where the group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

An entity is treated as a joint venture where the group is party to a contractual agreement with one or more parties from outside the group to undertake an economic activity that is subject to joint control.

In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the associate. The consolidated statement of comprehensive income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the consolidated balance sheet, the interests in associated undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Other fixed asset Investments

All other investments are accounted for at cost less any accumulated impairment.

16. Fixed asset investment (continued)

Keepmoat Great Places Limited ("KGP") is a company in which the Group has a 10% interest and exercises significant influence over the Board of KGP having 2 out of the 5 Board members of KGP. The other party to the venture is Keepmoat Limited. KGP in turn has a 50% share of Sheffield Housing Company Limited.

Reviva Urban Renewal Limited ("Reviva") is a company in which the Group has a one third interest, through its subsidiary GPHA. The other parties to the joint venture are Mosscare St Vincent's Housing Group and Irwell Valley Housing Association. The company did not trade in the current year.

Cube has entered into a joint venture arrangement with 9 other registered providers to create GMJV FundCo LLP. GMJV FundCo LLP, together with the Greater Manchester Combined Authority have invested in Hive Homes (Greater Manchester) LLP ("Hive Homes") which is a delivery vehicle to build homes for outright sale. This is a financial arrangement where Cube will be investing up to £3m as a mix of debt and equity into Hive Homes.

GROUP	**Associated undertaking** KGP	**Joint venture** Reviva	**Joint venture** Hive Homes	**Joint venture total**
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At the beginning of the year	63	10	-	10
Additions	-	-	50	50
Repayment	(63)	-	-	-
At the end of the year	**-**	**10**	**50**	**60**
Share of retained profits				
At the beginning of the year	(3)	-	-	-
Repayment proceeds	3	-	-	-
At the end of the year	-	-	-	-
NBV as at 31 March 2019	**-**	**10**	**50**	**60**
NBV as at 31 March 2018	60	10	-	10

Other fixed asset investments (shown overleaf) comprise: Shared equity loans £480k (2018: £548k); Help to Buy Investment £30k (2018: £30k); Investment in Inspiral Oldham Holding Company Limited £386k (2018: £421k).

Inspiral Oldham Holding Company Limited ("Inspiral") is a company in which the Group has a 5% interest. The other party to the venture is John Laing Investments Limited. Inspiral owns 100% of the share capital of Inspiral Oldham Limited which is the Special Purpose Vehicle that operates the Gateways to Oldham PFI project.

16. Fixed asset investment (continued)

GROUP	Shared equity loans	Help to Buy	Inspiral	Other investments total
	£'000	£'000	£'000	£'000
Cost				
As at 1 April 2018	548	30	421	999
Disposal or repayment	(68)	-	(35)	(103)
As at 31 March 2019	**480**	**30**	**386**	**896**
NBV as at 31 March 2019	**480**	**30**	**386**	**896**
NBV as at 31 March 2018	548	30	421	999

ASSOCIATION	Associated undertaking KGP	Other Investments Inspiral
	£'000	£'000
Cost		
As at 1 April 2018	63	421
Disposal or repayment	(63)	(35)
As at 31 March 2019	**-**	**386**

Income from Fixed Asset Investments

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Interest received				
Inspiral Oldham Holding Company Limited	36	33	36	33

17. Stock and work in progress

Policies

Properties for sale

Shared ownership properties where the first tranche is unsold, completed properties for outright sale and properties under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal. They are also reviewed for impairment as part of determining the net realisable value.

Materials stock

Stock is stated at the lower of cost and net realisable value. Costs comprise parts and materials for use by our in house repairs team for the repair of our housing properties. Stocks are valued at purchase price using the first in, first out method. Materials stock is held in the Distribution Centre and in the van fleet.

	Group	
	2019	**2018**
	£'000	**£'000**
Shared ownership properties:		
- completed	3,124	2,133
- under construction	2,536	3,988
Other properties for sale:		
- under construction	15,989	3,936
Materials stock	516	452
	22,165	**10,509**

The figures above include £842k (2018: £215k) of capitalised interest.

ASSOCIATION

The association has no stock and work in progress.

18. Debtors

Policy

Social housing grant (SHG)
SHG due from Homes England is included as a current asset.

Debtors
Debtors with no stated interest rate and receivable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Recoverable amount of rental and other trade receivables
The Association estimates the recoverable amount of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt.

Rent and service charge agreements
The Association has made arrangements with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate. The Association has reviewed its social housing rent arrears where a formal repayment schedule is in place and has determined that the net book value adjustment for these arrangements are not material so no adjustment has been made for these other than any bad debt provision provided.

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Due within one year				
Rent and service charges receivable	5,498	3,910	-	-
Provision for bad and doubtful debts	(2,617)	(2,183)	-	-
	2,881	1,727	-	-
Due from subsidiary undertakings	-	-	14,322	14,538
Trade debtors	1,129	802	637	36
Social housing grant receivable	1,476	6,229	-	-
Others debtors	5,134	4,125	278	158
Interest rate swap (note 8 / 22c)	-	-	3,602	3,301
Deferred tax (note 10)	869	66	869	66
Prepayments and accrued income	1,278	867	489	195
	12,767	**13,816**	**20,197**	**18,294**
Due after more than one year				
Due from subsidiary undertakings	-	-	464,120	469,866
Interest rate swap (note 8 / 22c)	-	-	41,314	40,285
	-	**-**	**505,434**	**510,151**
Total debtors	**12,767**	**13,816**	**525,631**	**528,445**

19. Current asset investments

Policy

Investments

All investments held by the Association are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historic cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Association has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historic cost. Investments that are receivable within one year are not discounted.

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Monies held by counterparties	25,129	22,425	19,292	18,386
Partnership agreement	-	2,079	-	-
	25,129	**24,504**	**19,292**	**18,386**

The monies held by counterparties as collateral for loans or interest rate swaps are held separately to cash at bank.

The partnership arrangement was with Galliford Try to build new homes with Cube Homes Limited. In 2018/19 the sale of the final 38 homes were completed. As this was essentially a financing arrangement, the following interest receivable has been recognised:

	Group	
	2019	2018
	£'000	£'000
Interest received: Partnership agreement	198	286
	198	**286**

ASSOCIATION

The association has no partnership arrangements.

20. Creditors: amounts falling due within one year

Policies

Creditors
Creditors with no stated interest rate and payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Social housing grant (SHG)
SHG received in advance from Homes England is included as a current liability.

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

Leaseholder sinking funds
Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received is included in creditors.

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Debt, net of arrangement fees (note 22a)	8,943	8,923	8,575	8,363
Obligations under finance leases (note 22b)	78	76	-	-
Interest rate swap (note 22c)	3,602	3,301	3,602	3,301
Deferred capital grant (note 23)	5,608	5,550	-	-
Recycled capital grant fund (note 24)	4,247	1,977	-	-
Disposal proceeds fund (note 25)	-	552	-	-
Pension deficit (note 27)	11	1,392	-	451
Trade creditors	1,466	1,685	111	174
Rent and service charges received in advance	1,933	1,916	-	-
SHG received in advance	1,716	870	-	-
Corporation tax	44	61	-	-
Other taxation and social security	464	420	255	224
Amounts owed to group undertakings	-	-	19,292	18,386
Leaseholder sinking funds	10,561	9,652	-	-
Other creditors	15,371	14,989	7,544	6,142
Accruals and deferred income	7,236	8,756	1,480	1,018
	61,280	**60,120**	**40,859**	**38,059**

Included within cash balances is £10,561k (2018: £9,652k) which is held in trust for leaseholders to cover anticipated future expenditure in relation to their sinking fund liabilities.

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

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Debt, net of arrangement fees (note 22a)	535,826	542,434	464,120	469,866
Obligations under finance leases (note 22b)	2,970	3,049	-	-
Interest rate swap (note 22c)	41,314	40,285	41,314	40,285
Deferred capital grant (note 23)	464,931	467,764	-	-
Recycled capital grant fund (note 24)	8,200	7,070	-	-
Pension deficit (note 27)	53	7,079	-	1,806
Other creditors	94	29	-	-
	1,053,388	**1,067,710**	**505,434**	**511,957**
Creditors: amounts falling due after more than one year excluding deferred capital grant	588,457	599,946	505,434	511,957

22. Debt analysis

Policies

Derivative instruments and hedge accounting

The Group holds floating rate loans which expose the Association to interest rate risk. To mitigate this risk the Association uses interest rate swaps. These instruments are measured at fair value at each reporting date. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group has designated each of the swaps, other than the one held with Credit Suisse, against existing drawn floating rate debt. To the extent the hedge is effective, movements in fair value adjustments are recognised in other comprehensive income. For the Credit Suisse swap which is not effectively hedged, any movements in fair value are recognised in the income statement for the year.

Loan issue costs

The cost of raising loan finance is initially capitalised and offset against the loan principal and is amortised to the income statement on a straight line basis over the term of the loan.

Discounts and premium on financial assets

Any discount or premium realised on the issue of a bond or similar financial asset is capitalised and offset or added to the bond principal, and is then amortised to the income statement on a straight line basis over the term of the asset.

22. Debt analysis (continued)

a Loans repayable

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
In one year or less or on demand	8,943	8,923	8,575	8,363
In more than one year, but not more than two years	8,984	9,076	8,593	8,567
In more than two years, but not more than five years	27,555	28,097	25,475	26,375
In more than five years	506,056	512,062	430,052	434,924
	551,538	558,158	472,695	478,229
Less: Loan arrangement fees	(6,770)	(6,801)	-	-
	544,768	**551,357**	**472,695**	**478,229**

The weighted average interest rate of the Group's loans at 31 March 2019 was 4.24% (2018: 4.41%). The weighted average interest rate of the Association's loans was 4.28% (2018: 4.50%).

Bond issue premium and discount	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
November 2012 bond issue proceeds	150,000	150,000	150,000	150,000
Discount on November 2012 issue	(1,261)	(1,301)	(1,261)	(1,301)
December 2013 bond issue proceeds	31,780	31,780	31,780	31,780
Premium on December 2013 issue	791	815	791	815
October 2014 bond issue proceeds	18,220	18,220	18,220	18,220
Premium on October 2014 issue	2,050	2,123	2,050	2,123
March 2018 bond issue proceeds	75,000	75,000	75,000	75,000
Premium on March 2018 issue	17,148	17,625	17,148	17,625
AHF 2014 bond issue proceeds	20,500	20,500	-	-
Premium on AHF 2014 issue	111	114	-	-
	314,339	**314,876**	**293,728**	**294,262**

In December 2007, Great Places Housing Group completed a refinancing exercise. As a result, several housing loans held by its subsidiary undertakings were repaid and refinanced through new Group facilities. These facilities are loans to GPHG and then on-lent to its subsidiary GPHA under a guarantee structure. As such these loans are presented in GPHA as an intercompany loan.

Loans are repayable at varying rates of interest in instalments. Housing loans are secured by specific charges on the Group's housing properties and are repayable at varying rates of interest. Further details are given in note 26 Financial instruments.

Finance for Residential Social Housing PLC (formerly Housing Corporation loans), bank and debenture loans are secured by fixed charges over individual properties.

22. Debt analysis (continued)

On 22 October 2012, Great Places Housing Group Limited issued a bond for £200m of which £50m was retained. £150m was on lent to GPHA. The bond was issued at a fixed rate of 4.81% for a term of 30 years. The bond was issued on the Professional Securities Market of the London Stock Exchange.

On 5 December 2013, Great Places Housing Group Limited released part of the £50m retained bond. The release resulted in the issue of £31.78m of bonds at a spread of 1.04% over the gilt yield to provide a fixed rate funding at an all in cost of 4.574%. This was on lent to GPHA.

On 9 October 2014, Great Places Housing Group Limited released the final part of the £50m retained bond. The release resulted in the issue of £18.22m of bonds at a spread of 1.02% over the gilt yield to provide a fixed rate funding at an all in cost of 4.002%. This was on lent to GPHA.

On 19 March 2018, Great Places Housing Group Limited tapped its existing bond issue for £145m, of which £70m was retained for later sale. £75m was immediately on lent to Great Places Housing Association. The bond matures in October 2042, in line with the 2012 issue, and achieved a spread of 1.40% over the gilt yield to provide a fixed rate of funding at an all in cost of 3.334%.

b Obligations under finance leases

The Group obligations under finance leases are as follows:

	2019	2018
	£'000	£'000
In one year or less or on demand	78	76
In more than one year, but not more than two years	81	79
In more than two years, but not more than five years	261	252
In more than five years	2,628	2,718
	3,048	**3,125**

ASSOCIATION
The Association has no finance leases.

c Interest rate swaps

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
In one year or less or on demand	3,602	3,301	3,602	3,301
In more than one year, but not more than two years	3,431	3,244	3,431	3,244
In more than two years, but not more than five years	10,293	9,210	10,293	9,210
In more than five years	27,590	27,831	27,590	27,831
	44,916	**43,586**	**44,916**	**43,586**

22. Debt analysis (continued)

It is the Association which is the legal party to the swap agreements, but GPHA has indemnified the Association against any obligations in relation to the swaps and therefore the ultimate cost is borne by GPHA. The Association shows an equal gain and loss in relation to its fair value asset due from GPHA (note 18) and the fair value liability to the swap counterparties (notes 20 and 21). The fair value movements in the year are set out in note 8. Details of the swap arrangements the Association has entered into are set out below:

Counterparty	Date of transaction	Years	End date	Principal (£m)	Rate
Santander	01/12/2007	25	18/12/2032	10	4.965%
Lloyds Banking Group	01/06/2008	25	20/12/2032	15	4.945%
Royal Bank of Scotland plc	01/12/2007	30	21/12/2037	20	4.920%
Lloyds Banking Group	01/10/2008	20	03/04/2029	16	4.560%
Santander	01/10/2009	17	28/10/2026	5	4.270%
Santander	01/10/2009	26	28/10/2035	5	4.195%
Barclays Bank plc	01/10/2009	20	29/10/2029	5	4.280%
Barclays Bank plc	01/10/2009	22	28/10/2031	10	4.260%
Barclays Bank plc	01/10/2009	25	30/10/2034	10	4.220%
Royal Bank of Scotland plc	01/10/2009	15	20/11/2024	11	4.280%
Credit Suisse	01/10/2011	8	13/10/2019	20	2.298%

d Debenture stocks

The debenture loan to THFC Ltd, 8.625% Debenture, 2023 is repayable by a single payment on 13 October 2023. Included in the loan balances at note 22a are the following balances:

	Group	
	2019	**2018**
	£'000	**£'000**
THFC (Indexed 2) Ltd: 5.5% Index-linked stock, 2024	-	400
THFC Ltd: 8.625% Debenture stock, 2023	750	750

ASSOCIATION

The association has no debenture stock.

23. Deferred capital grant

Policy

Government grants

Government grants include grants receivable from Homes England, local authorities, and other government organisations. Grant in relation to newly acquired or existing housing properties is accounted for using the accruals model set out in FRS 102 and the Housing SORP 2018. Grant is carried as deferred income in the balance sheet and released to the income statement on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with the SORP the useful life of the housing property structure has been used and, where applicable, its individual components (excluding land).

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

GROUP	Social housing grant	Homebuy grant	Total 2019	Total 2018
	£'000	£'000	£'000	£'000
At the beginning of the year	465,763	7,551	473,314	473,108
Grants received in the year	7,010	-	7,010	9,287
Grants recycled in the year	(3,556)	(624)	(4,180)	(3,988)
Grants disposed in the year	(665)	(35)	(700)	(133)
Grants disposed in the year (previously amortised)	534	-	534	6
Grant reinstated from other registered providers	-	-	-	462
Grants amortised in the year:				
- social housing lettings	(5,410)	-	(5,410)	(5,399)
- other housing lettings	(29)	-	(29)	(29)
At the end of the year	**463,647**	**6,892**	**470,539**	**473,314**

Of which:		
Due within one year	5,608	5,550
Due after more than one year	464,931	467,764
	470,539	**473,314**

Social housing grant

Total accumulated social housing grant received or receivable at 31 March:

	2019	2018
	£'000	£'000
Capital grant	528,751	527,346
Revenue grant	79,897	74,293
	608,648	**601,639**

ASSOCIATION

The association has no deferred capital grant funds.

23. Recycled capital grant fund

Policy

On the occurrence of certain relevant events, primarily the sale of dwellings, Homes England can direct the Association to recycle capital grants or to make repayments of the recoverable amount. The Association adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to Homes England with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

	2019	2018
	£'000	£'000
At the beginning of the year	9,047	5,947
Grants recycled		
- housing properties	2,524	2,386
- shared ownership	989	951
- homebuy	624	621
Interest accrued	77	28
Development of properties	(814)	(886)
At the end of the year	**12,447**	**9,047**
Of which:		
Due within one year	4,247	1,977
Due greater than one year	8,200	7,070
	12,447	**9,047**

ASSOCIATION

The association has no recycled capital grant funds.

24. Disposal proceeds fund

Policy

Receipts from Right to Acquire sales prior to April 2017 were required to be retained in a fund that can only be used for providing replacement housing. The Group is required to continue to operate the fund and comply with the regulator's Disposal Proceeds Funds Requirements until the fund is exhausted, which it now is.

	2019	2018
	£'000	£'000
At the beginning of the year	552	552
Development of properties	(552)	-
At the end of the year	**-**	**552**

ASSOCIATION

The association has no disposal proceeds funds.

25. Financial instruments

Policy

Financial instruments which meet the criteria of a basic financial instrument as defined in section 11 of FRS 102 are initially recorded at the transaction price less any transaction costs (historic cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Association has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historic cost. Loans that are payable within one year are not discounted.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in the income statement. At each year end, the instruments are revalued to fair value, with the movements posted to the income statement (unless hedge accounting is applied).

The Association's financial instruments may be analysed as follows:

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets				
Financial assets measured at historical cost:				
- Homebuy loans	6,892	7,551	-	-
- Trade receivables	1,129	802	637	36
- Other receivables	11,639	13,014	480,078	484,823
- Current asset investments	25,129	24,504	19,292	18,386
- Cash and cash equivalents	62,128	75,218	112	113
Intragroup derivative financial instrument*	-	-	44,916	43,586
Total financial assets	**106,917**	**121,089**	**545,035**	**546,944**

**The Intragroup derivative financial instrument is measured at fair value through income and expenditure*

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Financial liabilities				
Financial liabilities measured at historical cost:				
- Loans payable	544,769	551,357	472,695	478,229
- Trade creditors	1,466	1,685	111	174
- Other creditors	49,930	54,763	28,571	28,027
- Finance leases	3,048	3,125	-	-
- Deferred capital grant	470,539	473,314	-	-
Derivative financial instruments hedged*	44,745	43,181	-	-
Derivative financial instruments non-hedged**	171	405	44,916	43,586
Total financial liabilities	**1,114,668**	**1,127,830**	**546,293**	**550,016**

**Derivative financial instruments designated as hedges of variable interest rate risk derived from SWAPS*

*** non-hedged financial instruments are measured at fair value through profit and loss.*

26. Financial instruments (continued)

The derivatives are accounted for as a hedge of variable rate interest rate risks, in accordance with FRS 102 and had a fair value of £44,745k (2018: £43,181k) at the balance sheet date.

The cash flows arising from the hedged interest rate swaps will continue until their maturity in the periods 20 November 2024 to 19 December 2037, coincidental with the repayment of the term loans. The change in fair value in the period was an increase in the liability of £1,564k (2018: decrease of £6,522k) with the entire charge being recognised in other comprehensive income as the swaps were 100% effective hedges.

One of our swaps with Credit Suisse is not effectively hedged and is therefore measured at fair value through the income statement in line with FRS 102, the change in fair value in the period for this swap was an reduction in the liability of £234k (2018: £496k).

Financial liabilities – interest rate risk profile

The Group's policy on treasury management, capital structures, cash flow and liquidity is set out at page 10 of the Strategic Report and Report of the Board.

The Group's financial liabilities are sterling denominated. After taking into account various interest rate swaps, the interest rate profile of the Group's financial liabilities (loans and finance lease) at 31 March was:

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Floating rate	969	1,620	967	968
Fixed rate	553,618	559,663	471,728	477,261
Total (notes 22a and 22b)	**554,587**	**561,283**	**472,695**	**478,229**

The Group's fixed rate financial liabilities have a weighted average interest rate of 4.25% (2018: 4.22%) and the weighted average period for which it is fixed is 20.0 years (2018: 21.0 years).

The Association's fixed rate financial liabilities have a weighted average interest rate of 4.29% (2018: 4.08%) and the weighted average period for which it is fixed is 20.3 years (2018: 26.3 years).

The floating rate financial liabilities comprise bank loans that bear interest at rates based on 1-month, 3-month or 6-month LIBOR. The debt maturity profile is shown in note 22. The Group has undrawn, committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent had been met were as follows (and include the retained element of the March 2018 bond tap of £70 million):

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Expiring in one year or less	-	98,000	-	98,000
In more than one year, but not more than two years	38,000	-	38,000	-
Expiring in more than two years	119,955	123,000	119,955	123,000
	157,955	**221,000**	**157,955**	**221,000**

27. Pensions

Policy

Pensions

The Group participates in four funded multi-employer defined benefit schemes, the Social Housing Pension Scheme ("SHPS"), Pension Trust Growth Plan ("PTGP"), and two Local Government Pension Schemes (LGPS) one administered by the South Yorkshire Pension Authority ("SYPA") and the second administered by the Great Manchester Pension Fund ("GMPF"). At 31 March 2019 there were 466 active members of the SHPS scheme, 2 active members of the PTGP scheme, 3 active members of the SYPA scheme, 3 active members of the GMPF scheme.

For PTGP scheme, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period. The net present value of the Group's future deficit contributions to PTGP are recognised as a liability. The SHPS liability was also previously accounted for this way. This treatment changed in the year as outlined in note 27a.

For the SHPS and LGPS schemes, scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted as appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the Group.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs. Actuarial gains and losses are reported in other comprehensive income.

The Group also participates in a defined contribution scheme operated by the Social Housing Pension Scheme. Contributions payable under this scheme are charged in the Income statement in the period to which they relate.

Actuarial gains and losses on defined benefit pension schemes

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
SHPS	(3,257)	-	(1,621)	-
The Growth Plan - PTGP	7	-	-	-
Local Government Pension Schemes	(236)	387	-	-
Total other comprehensive income	**(3,486)**	**387**	**(1,621)**	**-**

27. Pensions (continued)

PTGP and SHPS (up to 31 March 2018) past service deficit liability

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Liability at the beginning of the year	8,471	9,796	2,257	2,683
Transferred to Other Comprehensive Income	(8,393)	-	(2,257)	-
Unwinding of discount factor (interest expense)	1	121	-	33
Deficit contribution paid	(9)	(1,330)	-	(433)
Re-measurement - impact of any change in assumptions	1	(116)	-	(26)
Re-measurement - amendments to the contribution schedule	(7)	-	-	-
Liability at the end of the year (note 27b)	**64**	**8,471**	**-**	**2,257**
Of which:				
Due within one year	11	1,392	-	451
Due greater than one year	53	7,079	-	1,806
	64	**8,471**	**-**	**2,257**

Pension Liability

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
SHPS:				
Present value of funded obligations	(71,673)	-	(17,989)	-
Fair value of plan assets	52,568	-	13,088	-
Net liability (note 27a)	(19,105)	-	(4,901)	-
LGPS:				
Present value of funded obligations	(4,931)	(4,411)	-	-
Fair value of plan assets	3,723	3,506	-	-
Net liability (note 27c)	(1,208)	(905)	-	-
Pension liability	**(20,313)**	**(905)**	**(4,901)**	**-**

a Social Housing Pension Scheme

The Group participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

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

27. Pensions (continued)

The scheme is classified as a "last-man standing arrangement". Therefore the Group is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Tier 1 From 1 April 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1 April)
Tier 2 From 1 April 2016 to 30 September 2023:	28.6m per annum (payable monthly and increasing by 4.7% each year on 1 April)
Tier 3 From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1 April)
Tier 4 From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1 April)

The Group's contribution to the SHPS for the year ended 31 March 2019 was £1,413k (2018: £1,300K). We estimate that the contributions to be paid in the next financial year will be £1,715k.

In previous years, it was not possible for the Group to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Sufficient information has now been made available therefore the scheme has been transitioned to defined benefit accounting, in line with the amendments to FRS102 issued May 2019. These amendments to Section 28 require the difference between any liability for the contributions payable arising from an agreement to fund a deficit and the net defined liability recognised when applying defined benefit accounting to be recognised in other comprehensive income. The effective date for these amendments is accounting period beginning on or after 1 January 2020, however Great Places has chosen to early adopt.

The earliest date that sufficient information was available from The Pensions Trust was 31 March 2018. In accordance with the revised FRS 102 paragraph 28.11C, the relevant date to apply the adjustment in other comprehensive income is 1 April 2018. When applying defined benefit accounting for the first time the following adjustments need to remove the liability for the present value of the deficit funding agreement and recognise the net pension deficit.

	Group 2019 £'000	Association 2019 £'000
Deficit funding agreement liability previously recognised	8,393	2,257
Net Pension deficit on actuarial basis	16,703	4,446
Charge to Other Comprehensive Income	**8,310**	**2,189**

27. Pensions (continued)

Financial Assumptions:

In calculating the scheme assets and liabilities, the fund actuary had to make a number of assumptions about events and circumstances in the future. These assumptions represent the best estimate of expected outcomes, but it is possible outcomes will differ from those indicated. The main assumptions used by the actuary were:

	Group		Association	
	2019	2018	2019	2018
	% per annum	% per annum	% per annum	% per annum
Discount rate	2.40%	2.60%	2.40%	2.60%
Inflation rate (RPI)	3.20%	3.10%	3.20%	3.10%
Inflation rate (CPI)	2.20%	2.10%	2.20%	2.10%
Salary Growth	3.20%	3.10%	3.20%	3.10%
Allowance for commutation of pension for cash at retirement	75%	75%	75%	75%

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

Life expectancy at age 65 (Years)	**Males**	**Females**
People retiring in 2019	21.8	23.5
People retiring in 2039	23.2	24.7

Analysis of the amount charged/(credited) to the statement of comprehensive income:

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Current service cost	716	-	350	-
Administrative expenses	45	-	35	-
Total charge to operating costs	**761**	**-**	**385**	**-**
Interest on plan assets	(1,293)	-	(331)	-
Interest on pension scheme liabilities	1,711	-	431	-
Total charge to other finance costs	**418**	**-**	**100**	**-**

Analysis of the amount charged/(credited) to other comprehensive income:

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Actuarial loss on liabilities	(4,403)	-	(800)	-
Re-measurement of plan assets	1,146	-	(821)	-
Total other comprehensive income	**(3,257)**	**-**	**(1,621)**	**-**

27. Pensions (continued)

Changes in present value of defined benefit obligation:

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Opening defined benefit obligation	(66,157)	-	(16,395)	-
Current service cost	(716)	-	(350)	-
Expenses	(45)	-	(35)	-
Benefits and expenses	1,517	-	166	-
Interest on pension liabilities	(1,711)	-	(431)	-
Actuarial loss on liabilities	(4,403)	-	(800)	-
Member contributions	(158)	-	(144)	-
Closing defined benefit obligation	**(71,673)**	**-**	**(17,989)**	**-**

Changes in fair value of plan assets:

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Opening fair value of plan assets	49,454	-	11,949	-
Re-measurement of plan assets	1,146	-	(821)	-
Interest on plan assets	1,293	-	331	-
Benefits and expenses	(1,517)	-	(166)	-
Employer contributions	2,034	-	1,651	-
Member contributions	158	-	144	-
Closing fair value of plan assets	**52,568**	**-**	**13,088**	**-**

Analysis of the movement in the deficit during the year:

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Deficit in the fund at the beginning of year	(16,703)	-	(4,446)	-
Movement in year:				
Current service costs	(716)	-	(350)	-
Employer contributions	2,034	-	1,651	-
Net interest	(418)	-	(100)	-
Administrative expenses	(45)	-	(35)	-
Re-measurement of plan assets	1,146	-	(821)	-
Actuarial loss	(4,403)	-	(800)	-
Deficit at end of year	**(19,105)**	**-**	**(4,901)**	**-**

27. Pensions (continued)

b Pension Trust Growth Plan

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

The scheme is classified as a "last-man standing arrangement". Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2019 to 31 January 2025:	£11,243k per annum (payable monthly and increasing by 3% each on 1 April)

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustee asked the participating employers to pay additional contributions as follows:

Deficit contributions

From 1 April 2016 to 30 September 2025:	£12,945k per annum (payable monthly and increasing by 3% each on 1 April)
From 1 April 2016 to 30 September 2028:	£55k per annum (payable monthly and increasing by 3% each on 1 April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

27. Pensions (continued)

Reconciliation of opening and closing liability:

	Group	
	2019	**2018**
	£'000	**£'000**
Provision at the beginning of the year	78	88
Unwinding of discount factor (interest expense)	1	1
Deficit contribution paid	(9)	(10)
Re-measurement	(6)	(1)
Provision at the end of the year	**64**	**78**

Of which:

Due within one year	11	10
Due greater than one year	53	68
	64	**78**

Income and expenditure impact:

	Group	
	2019	**2018**
	£'000	**£'000**
Interest expense	1	1
Re-measurement – impact of any change in assumptions	1	(1)
Re-measurement – amendments to the contribution schedule	7	-

Assumptions:

	Group	
	2019	**2018**
	% per annum	**% per annum**
Rate of discount	1.39%	1.71%

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

27. Pensions (continued)

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

	Group	
	2019	**2018**
	£'000	**£'000**
Year 1	11	10
Year 2	11	10
Year 3	11	11
Year 4	12	11
Year 5	12	11
Year 6	10	12
Year 7	-	12
Year 8	-	6

The Group must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income statement i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the Group's balance sheet liability.

ASSOCIATION
The Association has no employees in the PTGP.

c Local Government Pension Schemes
The Group participates in two Local Government Pension Schemes (LGPS), one administered by South Yorkshire Pensions Authority (SYPA) and one by Greater Manchester Pension Fund (GMPF). They are both defined benefit multi-employer benefit schemes administered under the Regulations governing the Local Government Pension Scheme. At 31 March 2019 there were 6 active members of the Schemes employed by the Group.

The Group's contribution to the LGPS for the year ended 31 March 2019 was £84k (2018: £72k) and the employer's contribution rate is 14.2% (2018: 13.3%) for SYPA and 20.6% (2018: 20.0%) for GMPF of pensionable pay. We estimate that the contributions to be paid in the next financial year will be £67k.

In accordance with accounting standards, the Group has grouped the disclosures of the two local government pension schemes in line with FRS 102. In addition the full requirements of FRS102 have been adopted.

A full actuarial valuation was carried out at 31 March 2017 and supplementary figures were provided for 31 March 2019 by a qualified independent actuary.

27. Pensions (continued)

Financial Assumptions:

In calculating the scheme assets and liabilities, the fund actuary had to make a number of assumptions about events and circumstances in the future. These assumptions represent the best estimate of expected outcomes, but it is possible outcomes will differ from those indicated. The main assumptions used by the actuary were in the range:

	As at 31 March 2019	As at 1 April 2018
Rate of increase in salaries	3.3% - 3.45%	3.2% - 3.35%
Discount rate for scheme liabilities	2.4% - 2.5%	2.70%
Rate of increase in pensions	2.3% - 2.5%	2.2% - 2.4%
Inflation (CPI)	2.20%	2.10%

Mortality Assumptions:

The post retirement mortality assumptions used to value the benefit obligation are based on the PA92 tables. Based on these assumptions the average range of future life expectations at age 65 are summarised below:

	Males	Females
Current pensioners	21.5 - 23.1	24.1 - 25.9
Future pensioners	23.7 - 25.3	26.2 - 28.3

Amounts recognised in the balance sheet:

	Group	
	2019	2018
	£'000	£'000
Present value of funded obligations	4,931	4,411
Fair value of plan assets	(3,723)	3,506
Net liability	**(1,208)**	**(905)**

Analysis of the amount charged/(credited) to the statement of comprehensive income:

	Group	
	2019	2018
	£'000	£'000
Current service cost	103	130
Past service costs	-	21
Settlement/curtailment	24	-
Administrative expenses	1	1
Total charge to operating costs	**128**	**152**
Interest on plan assets	(95)	(87)
Interest on pension scheme liabilities	118	117
Total charge to other finance costs	**23**	**30**

27. Pensions (continued)

Analysis of the amount charged/(credited) to other comprehensive income:

	Group 2019 £'000	2018 £'000
Actuarial (loss)/gain on liabilities	(372)	352
Re-measurement of plan assets	136	35
Total other comprehensive (loss)/ income	**(236)**	**387**

Changes in present value of defined benefit obligation:

	Group 2019 £'000	2018 £'000
Opening defined benefit obligation	(4,411)	(4,492)
Current service cost	(103)	(130)
Past service cost	-	(21)
Benefits/transfers paid	116	20
Curtailment	(24)	-
Interest on pension liabilities	(118)	(117)
Actuarial (loss)/gain on liabilities	(372)	352
Member contributions	(19)	(23)
Closing defined benefit obligation	**(4,931)**	**(4,411)**

Changes in fair value of plan assets:

	Group 2019 £'000	2018 £'000
Opening fair value of plan assets	3,506	3,310
Re-measurement of plan assets	136	35
Interest on plan assets	95	87
Benefits/transfers paid	(116)	(20)
Administrative expenses	(1)	(1)
Employer contributions	84	72
Member contributions	19	23
Closing fair value of plan assets	**3,723**	**3,506**

27. Pensions (continued)

Analysis of the movement in the deficit during the year:

	Group 2019 £'000	Group 2018 £'000
Deficit in the fund at the beginning of year	(905)	(1,182)
Movement in year:		
Current service costs	(103)	(130)
Employer contributions	84	72
Past service costs	-	(21)
Net interest	(23)	(30)
Curtailments	(24)	-
Administrative expenses	(1)	(1)
Re-measurement of plan assets	136	35
Actuarial (loss)/gain	(372)	352
Deficit at end of year	**(1,208)**	**(905)**

Major categories of plan assets as a percentage of total plan assets:

	Group 2019 £'000	2019 %	2018 £'000	2018 %
Equities	2,201	59.1%	2,119	60.4%
Bonds	722	19.4%	663	18.9%
Property	332	8.9%	286	8.2%
Cash/Liquidity	203	5.5%	266	7.6%
Other	265	7.1%	172	4.9%
Total	**3,723**	**100.0%**	**3,506**	**100.0%**

ASSOCIATION

The Association has no employees in the LGPS.

28. Employees

Average monthly number of employees expressed as full time equivalents, is as follows:

	Group		Association	
	2019	2018	2019	2018
	No	No	No	No
Administration	133	117	128	113
Housing, support and care	239	270	-	-
Maintenance	130	135	110	126
Development	37	39	36	39
	539	**561**	**274**	**278**

Employee costs are as follows:

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Wages and salaries	17,062	16,255	9,129	8,545
Social security costs	1,553	1,494	895	839
Other pension costs	902	995	464	489
	19,517	**18,744**	**10,488**	**9,873**

29. Non-equity share capital

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up. Shares in the Group issued to members are not transferable. Upon a shareholder ceasing to be a member, his/her share is forfeited and the value is credited to the revenue reserve.

	2019	2018
	£	£
Shares of £1 each issued and fully paid		
At the beginning of the year	8	8
Shares issued during the year	2	1
Shares surrendered during the year	-	(1)
At the end of the year	**10**	**8**

30. Financial commitments

Capital commitments

Capital expenditure commitments for the Group were as follows:

	2019	2018
	£'000	£'000
Expenditure contracted but not provided for in the accounts	59,658	51,173
Expenditure authorised by the Board, but not contracted	84,178	65,671
	143,836	**116,844**

Capital commitments for the Group will be funded as follows:

	2019	2018
	£'000	£'000
Existing loan facilities	30,379	17,821
First tranche and outright sales	53,217	41,257
Grants	20,762	26,962
Existing reserves	39,478	30,804
	143,836	**116,844**

ASSOCIATION

The association has no capital commitments at the balance sheet date.

Operating leases

The Group and the Association had minimum lease payments under non-cancellable operating leases as set out below:

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Within one year	407	486	407	486
Two to five years	510	1,040	510	1,040
	917	**1,526**	**917**	**1,526**

31. Accommodation in management and development

At the end of the year the number of units in management for each class of accommodation was as follows:

	Group	
	2019	**2018**
General housing		
- social housing	8,982	9,295
- affordable housing	4,110	3,767
- non-social housing	113	114
Supported housing	1,534	1,550
Key worker housing	52	55
Low cost home ownership	2,576	2,544
Total owned	**17,367**	**17,325**
Accommodation managed for others		
- social housing	666	811
- non-social housing	1,216	1,035
Total managed	**19,249**	**19,171**
Accommodation in development at year end	651	516

ASSOCIATION

The Association has no homes in management or under development.

Accommodation managed by others

At the end of the year the number of units owned by the Group but managed by others on its behalf was as follows:

	Group	
	2019	**2018**
Housing accommodation	56	56

ASSOCIATION

The Association has no homes managed by others.

32. Contingent liabilities and cross guarantees

Policy

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

The Group has acquired a number of properties from other register providers which had social housing grant (SHG) attached. In line with the SORP these transactions were recorded at fair value and the SHG is not shown on the balance sheet of the Group. The Group has a future obligation to recycle such grant once the properties are disposed of. At 31 March 2019, the value of grant received in respect of these properties that had not been disposed of was £13,018k (2018: £13,094k).

Cross guarantees

Following the refinancing exercise in December 2007 by Great Places Housing Group Limited ("GPHG"), cross guarantees are in place with Great Places Housing Association ("GPHA"). These facilities are loans to GPHG and then on-lent to GPHA under a guarantee structure; i.e. the loans are secured against the assets of both the Association and those of GPHA. The guarantee structure also covers the interest rate swaps entered into by GPHG. As disclosed in note 18, £473m (2018: £480m) of the Group's loans are on lent to GPHA under this arrangement, of which £464m (2018: £470m) is due greater than one year.

33. Related parties

The Group has taken advantage of the exemption available under FRS 102 not to disclose transactions with wholly owned subsidiary undertakings.

Transactions with related entities

The Association provides management services, other services and loans to its subsidiaries.

The Association also receives payment for these services from its subsidiaries. The quantum and basis of those payments is set out below:

	Management charges		Other charges		Interest charges	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Non-regulated entities						
Cube Homes Limited	30	30	-	-	863	393
Terra Nova Developments Limited	-	5	-	-	-	-
Regulated entities						
Great Places Housing Association	9,503	8,832	693	1,225	20,918	18,360
Plumlife Homes Limited	191	300	518	446	-	-
	9,724	**9,167**	**1,211**	**1,671**	**21,781**	**18,753**

33. Related parties (continued)

Intra-group management fees

Intra-group management fees are receivable by the Association from subsidiaries to cover the operating costs the Association incurs on behalf of managing its subsidiaries and providing services. The management fee is calculated on a service by service basis using varying methods of allocation. The costs are allocated as follows:

Service provided	**Basis of allocation**
Human resources, payroll, training	Staff numbers
Information and Communication technology	ICT users and workstations
Management accounting	Weighted average units and staff numbers
Treasury services	Net debt
Purchase ledger, procurement	Operating Costs
Communications and marketing	Weighted average units and staff numbers
Executive	Weighted average units and staff numbers

Other intra-group charges

Other intra-group charges are payable to the Association from subsidiaries and relate to staff recharges.

In March 2019 Cube Homes Limited declared a gift aid payment to GPHA of £409k (2018: £300k). Also in March 2019, Plumlife Homes Limited declared a gift aid payment to GPHA of £870k (2018: £598k). For the year to March 2019 Terra Nova Developments Limited ("Terra Nova") declared a gift aid payment to GPHA of £12k (2018: £15k).

Intra-group interest charges

Intra-group interest is charged by the association to its subsidiaries at an agreed commercial rate. At present the only such arrangement is in respect of a loan facility to a maximum of £40m provided by GPHA to Cube Homes Limited approved by the Boards of GPHA, Cube and GPHG in November 2018. The loan is advanced in instalments to meet approved expenditure on development for sale, market rent projects and joint ventures. Loan repayments are made as soon as sales receipts are received.

	Opening Balance	**Movement**	**Closing Balance**
	£'000s	**£'000s**	**£'000s**
GPHA loan to Cube Homes Limited	8,766	8,918	17,684

Transactions with non-regulated entities

During the year GPHA had intra-group transactions with its subsidiary Terra Nova of £3,620k (2018: £1,088k) relating to housing property design and build services.

34. Group structure

Great Places Housing Group Limited (the "Association") is the parent entity and controlling party of a Group with the following subsidiaries:

Great Places Housing Association ("GPHA")
Plumlife Homes Limited
Cube Homes Limited (a wholly owned subsidiary of GPHA)
Cube Great Places Limited (a wholly owned subsidiary of Cube Homes Limited)
Terra Nova Developments Limited (a wholly owned subsidiary of GPHA)

GPHA is registered under the Co-operative and Community Benefit Societies Act 2014 and is a registered charitable social landlord.

Plumlife Homes Limited is registered under the Co-operative and Community Benefit Societies Act 2014 and is a registered non-charitable social landlord.

The undernoted subsidiaries are registered under the Companies Act 2006, are registered in England and are limited by shares:

Terra Nova Developments Limited	Percentage held or controlled - 100%
Cube Homes Limited	Percentage held or controlled - 100%
Cube Great Places Limited	Percentage held or controlled - 100%

Of the subsidiaries, Great Places Housing Association, Cube Homes Limited, Plumlife Homes Limited and Terra Nova Developments Limited traded during the year. The Group has an interest in several Joint Venture companies and one Associate as detailed in note 16.

The consolidated accounts of Great Places Housing Group Limited can be obtained from Great Places Housing Group Limited, 2a Derwent Avenue, Manchester, M21 7QP, or via its website at www.greatplaces.org.uk.