Report & Financial Statements 2020/2021

newlon
HOUSING TRUST

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Pictured on this spread: View from the sky garden, Hale Works..

Executives and advisors for the year ended 31 March 2021

The Board

Aman Dalvi	Chair (Appointed December 2020)
Sarah Ebanja	Chair (Resigned December 2020)
Jackie Ballard	Vice Chair
Mike Hinch	Appointed Executive
Edward Ihejirika	(Appointed December 2020)
Maria Grogan	(Resigned December 2020)
Blossom Shakespeare	Appointed Resident
Lloyd Gale-Ward	Appointed Resident
Fred Angole	
Nicola Bastin	
Matt Campion	
John Cross	

Executive Management Team

Mike Hinch	Group Chief Executive
Surjit Dhande	Group Finance and Resources Director
William Henderson	Housing Services Director
Ezinne Ogbonna	Business Development Director
Peter Little	Group Director Supported Housing and Care
Symon Sentain	Acting Property Services Director (Appointed March 2021)
Mark Newstead	Property Service Director (Resigned March 2021)

Company Secretary and registered office

Glenn Dhurowa

Registered office:

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Hale Village
London
N17 9FE

Group Audit and Risk Committee

Fred Angole	Chair
Maria Grogan	(Resigned December 2020
Edward Ihejirika	(Appointed December 2020)
Nicola Bastin	
Alan McNab	
Asari St Hill	

Bankers

Barclays Bank PLC
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1 Churchill Place
London
E14 5HP

External Auditors

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex
RH6 0PA

Principal Solicitors

Devonshires Solicitors
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EC2M 7DT

Internal Auditors

Mazars LLP
Tower Bridge House
St Katherine's Way
London
E1W 1DD

Chair's statement for the year ended 31 March 2021

I would like to begin this overview by expressing my thanks to my predecessor as Chair, Sarah Ebanja. I joined the Newlon Board in December 2020 when Sarah stepped down at the end of her tenure. During her nine years on the Board, with eight as Chair, Newlon went through a period of significant growth, while retaining a commitment to residents and a sharp focus on financial viability and good governance.

The end of Sarah's time as Chair and the start of mine have been complex for many reasons. These include the commitment and investment in safety necessitated by the Grenfell Tower tragedy, high costs for developing new affordable homes in London, the uncertainties created by Brexit and the far reaching impact of the pandemic, which has affected us all.

Against this background I am pleased to say that 2020/21 was a successful year for all members of the Newlon Group.

Most importantly, working in close partnership with our key contractors, we were able to maintain services for residents. Even during the peak of the pandemic we were able to carry out any critical repairs required and outside the most extreme periods we have been able to maintain near to normal services.

Although the pandemic has caused slight delays to our development programme, these have not been significant and our commitment to providing much needed new affordable housing has largely remained on track.

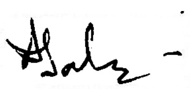
I am very aware of the impact the coronavirus has had on people's safety, wellbeing and incomes. I am therefore particularly proud of the efforts we have made to contact our most vulnerable residents during each wave of the pandemic. This has been achieved through our staff members taking the time to contact residents personally to check on their wellbeing, provide help and advice or signpost them to local support services.

Our care and support partner Outward has also successfully continued to provide frontline services for vulnerable adults through this very challenging period. I commend them on their efforts in working with some of the most at risk members of our communities.

During 2020/21 we continued to increase our investment in residents' safety and especially fire safety. Where remedial works are required to some of our buildings we realise that this is a worrying period for residents. We are doing everything we can to get on site and commence works as soon as possible. We are also working to avoid passing costs for remedial works back to residents. We are optimistic that we will be successful in our applications to the Government's Building Safety Fund, which would help cover the costs at a number of our affected buildings. Overall, we are making good progress through our programme of fire safety inspections and have completed remedial works at a number of buildings.

One major success during the year was the overwhelming support from residents in the ballot on the future of the Barnsbury Estate. It has been challenging to run a resident-led consultation during a pandemic, which for long periods made it very difficult to consult with residents in person or in groups. It was therefore a remarkable achievement to be able to adapt the consultation process to achieve a really positive outcome. I am grateful for residents' confidence in Newlon and excited by the future for the Estate.

Overall, we have delivered a really strong financial performance in a complex environment. I would like to extend my appreciation to my colleagues on the Board, Newlon's staff and the many partners we work with, who have pulled together so successfully during such a challenging year.



Aman Dalvi OBE
Chair

14 July 2021

Report of the Board of Management and Strategic Review
for the year ended 31 March 2021

Business model

The Newlon Group (the Group) consists of two registered providers, three registered charities and two limited companies, headed by Newlon Housing Trust ('the Association'), a charitable organisation founded in 1968.

The Association is a registered provider of social housing in the north and east of London and was founded with the purpose of providing high quality affordable housing for the people of Hackney.

The Group is diverse and operates in the following key business areas:

- General Needs housing for rent, primarily for families who are unable to rent or buy at open market rates.
- Supported Housing and care especially for people with learning disabilities or those on the autism spectrum.
- Low cost home ownership, primarily Shared Ownership, whereby residents purchase a share in the equity of their homes and pay rent to the housing association on the remainder.
- Housing products aimed at the intermediate market including Intermediate Rent and Key Worker rent.
- Community services aimed at promoting social inclusion and a range of employment and training initiatives.

Objectives and strategies for achieving these objectives

Our simple mission is to increase the supply of affordable housing in London. To do this we provide a range of housing options designed to meet the diverse needs of local people.

With the sector facing considerable short and medium term challenges and a good deal of uncertainty about the prospects of the wider economy, the Board decided it was appropriate to produce a new Corporate Plan that focused just on the next three years. It is a plan that acknowledges the need to meet the challenges of new regulation, to invest in improving existing properties and to continue to deliver new homes, whilst placing an emphasis on financial security and ensuring we remain in a strong position to fulfil our mission for many years to come.

Instead of focusing on just two core objectives like we have in previous years, the scope of the plan has been broadened to identify five strategic priorities. This is a response to both changing regulation and some other challenges facing the organisation this year. It ensures that, in addition to growth and service improvement, equal focus is placed on asset investment, organisational resilience and working culture, and achieving value for money.

Priority 1 – Excellent services

We will challenge ourselves and our partners to deliver great services to residents. We will take into account the needs and preferences of residents and make sure we are easy to deal with. We will get the basics right and be committed to finding solutions to more complex problems.

Priority 2 – High quality homes

Newlon homes are safe, secure and well-maintained and residents feel safe where they live. We make the best use of our assets, ensuring that properties make a positive financial contribution and social impact whilst working to reduce their impact on the environment.

Priority 3 – Growth

We will continue to contribute to the supply of new homes working within our financial capacity to maximise opportunities to develop good quality homes across a range of tenures.

Priority 4 – A dynamic workplace

We are a high achieving, performance focused and environmentally responsible organisation with a committed, diverse and creative workforce that represents the communities we work in. We are resilient, connected and committed to our goals and each other.

Priority 5 – Efficiency and effectiveness

We are an organisation for the long-term and will ensure that there are strong foundations even in uncertain times. We will maintain low management costs by streamlining processes and integrating systems with partners.

Results

At 31 March 2021 we had assets of £1.2 billion, reserves totalling £206m and an annual turnover of £100m. The Group turnover from our social housing and other activities for the year ended 31 March 2021 is shown below:

	Turnover 2021	Turnover 2020
	£'m	£'m
Social housing letting:		
General Needs housing for rent	**45**	37
Supported Housing	**6**	5
Low cost ownership	**6**	6
Key Worker housing	**8**	13
Other social housing activities:		
First tranche low cost home ownership sales:	**13**	14
Supporting people and care	**12**	12
Other activities	**6**	4
Other non-social housing activities:		
Other activities	**4**	-
Total	**100**	91

Summary consolidated statement of comprehensive income

	2021	2020	2019	2018	2017
	£'m	£'m	£'m	£'m	£'m
Turnover	**100**	91	80	76	93
Cost of sales	**(12)**	(8)	(2)	(2)	(3)
Surplus on disposal of fixed assets	**8**	7	7	7	6
Operating costs	**(61)**	(54)	(52)	(50)	(46)
Operating surplus	**35**	36	33	31	50
Share of profit from Joint Venture	**3**	-	-	-	-
Net interest payable	**(18)**	(18)	(14)	(13)	(15)
Other finance costs	**-**	-	-	-	-
Fair value movement	**-**	12	(2)	2	-
Surplus for the year	**20**	30	17	20	35

The lower level of surplus for the year compared to 2019/20 is due to the £12m positive fair value movements in 2019/20, £11.3m from expiry of financial instrument hedge contract and £0.7m from Outward's Social Housing Pension Scheme (SHPS) defined benefit scheme.

Summary consolidated balance sheet

	2021	2020	2019	2018	2017
	£'m	£'m	£'m	£'m	£'m
Tangible fixed assets – housing properties and others	**1,138**	1,115	1,090	1,033	971
Net current assets	**65**	69	39	28	34
Total assets less current liabilities	**1,204**	1,184	1,129	1,061	1,005
Long term liabilities and provisions	**(999)**	(999)	(973)	(922)	(886)
Net assets/reserves	**205**	185	156	139	119

Housing properties are held at historic cost and unamortised grant is held in long term creditors. The increased carrying cost of £45m of completed properties in 2020/21 includes a £39m investment in new homes and £6m spend on improvement and remedial work to the existing homes. As at 31 March 2021 we had £424m of social housing and capital grant to support our development programme.

Consolidated cash flow

	2021	2020
	£'m	£'m
Cash generated from operations	66	35
Cash used in investing activities	(40)	(45)
Cash from financing activities	(16)	17
Net change in cash	10	7

At 31 March 2021 we had £51m cash and cash equivalent. In the year we:

- Received £65m from operating activities, including housing asset sales of £31m.
- Invested £40m in existing and new stock.
- Repaid £3m of loan balances.
- Paid interest of £21m.

Key financial indicators – Group

	2021	2020	2019	2018	2017
	£'m	£'m	£'m	£'m	£'m
Operating margin[1]	**27%**	40%	41%	41%	54%
EBITDA MRI [2]	**133%**	118%	132%	126%	268%
Bank interest cover [3]	**227%**	175%	199%	214%	329%
Bank gearing [4]	**46%**	49%	49%	50%	50%
Debt per unit	**£71k**	£73k	£69k	£71k	£65k
Average cost of capital	**3.40%**	3.47%	3.44%	3.26%	3.11%
Housing units owned/managed	**8,119**	7,974	7,768	7,847	7,782
Units developed as % of current stock	**2.9%**	2.9%	2.2%	0.8%	-

1 Operating margin is defined as operating surplus as a proportion of turnover.

2 EBITDA MRI is defined as operating surplus less surplus on disposal of fixed asset, amortised grant in year, capitalised major works plus interest receivable and depreciation, as a proportion of gross interest payable.

3 Interest cover is for the Association and is defined as operating surplus plus housing depreciation, less surplus on all property sales and grant amortisation as a proportion of net interest payable.

4 The bank gearing covenant is for the Association and is defined as net loans as a proportion of housing asset cost.

Value for money, performance and development during the financial year

The Board believes that value for money (VFM) is inextricably linked with the delivery of our two main objectives of increasing the supply of high-quality, affordable homes and improving services. The Board last reviewed our Value for Money Strategy in March 2020 and will do so again in September 2021 with consideration of performance against the VFM metrics and the current challenges related to building safety, environmental efficiency, resident satisfaction and the wider economy.

Newlon's approach to VFM

Although we have recently updated our Corporate Plan to reflect some changing priorities, throughout 2020/21 the Board's focus was on the delivery of two business objectives: increasing the supply of affordable housing and providing good quality services to residents. In terms of our VFM Strategy our overall aim was to gradually reduce unit costs through growth and cost control. The approach is captured in five value for money commitments:

1) We will maximise the potential of our resources in order to deliver more homes.

Growth in unit numbers is at the heart of our VFM strategy. We aim to reduce overall unit costs through increasing stock numbers and keeping increases in management costs below inflation. Delivering sustained growth relies on maintaining strong operating margins and keeping borrowing costs as low as possible and these are key considerations of the Board when approving budgets and seeking new funding.

2) We will provide good quality services and increase customer satisfaction without exceeding the sector median for management costs.

Maintaining a strong focus on the customer experience as well as on controlling costs means that staff are encouraged to be innovative in finding ways to improve services but cuts are not made at the expense of current residents.

3) We will seek to maximise return on our current property assets whilst maintaining a tenure mix that fulfils our charitable mission.

In 2017 the Board set a five year Asset Investment Plan based on independently validated stock information and this has been implemented alongside a strategic disposal programme, with the aim of improving long-term viability by boosting the overall stock efficiency and resident satisfaction.

4) We will scrutinise spending and challenge costs to ensure we reduce waste and deliver greater value .

As part of the annual business planning cycle, the Board consider detailed departmental plans for the coming year alongside a proposed budget to ensure that the business is making best use of resources. The budget is presented together with the predicted impact on unit costs, allowing the Board to make decisions about the allocation of resources with reference to overall impact on costs. The Board also identifies opportunities to deliver greater VFM and these are integrated into departmental targets and monitored throughout the year.

5) We will deliver efficiencies across the Group by reducing overheads, streamlining back office processes and systems, making better use of data, automating processing activity and improving cost analysis.

We have already had success in cutting overheads at Group level through optimising the resources of the Group such as office space, systems and back office functions. We will continue to look at opportunities to combine and streamline as well as examining the way we could do things more efficiently and deliver savings to each of the Group members, including opportunities for automation and streamlining of processes.

Responsibility and reporting

The overall responsibility for delivering VFM lies with the Board with the Chairs of the Resident Services Committee, the Group Audit and Risk Committee, the People and Governance Committee and the Development Committee responsible for ensuring that VFM is considered as part of the decision-making process.

We have produced regulatory metrics at both Group and Association level to be consistent with the financial statements as a whole. The section immediately below addresses the metrics at Group level before we focus in on the performance of the Association where we have compared performance across the Regulator of Social Housing (RSH) metrics and the Board's chosen VFM indicators.

The Board has set the targets at both Group and Association level. These were set taking account of:

- The principles and priorities set out in the VFM Strategy.
- Peer group median and top performer/top quartile performance taken from a peer group of seven similar groups at Group level and all London providers at Association level.
- Reference to budgets and other performance targets agreed at the Board workshops earlier in the year, especially our commitments to invest in health and safety works.
- The overall ethos of continuous improvement encouraged by the Board when setting service performance targets.

Group VFM metrics

Registered providers are required by the Regulator of Social Housing to publish their performance against the indicators below. As the Newlon Group contains entities that are not housing providers (notably Outward, which is a care and support provider) these numbers give a wider view of costs.

We worked with the benchmarking consultancy, Vantage, who selected a small peer group with similar group structures. We have used the median from that peer group to provide a comparison in the table below.

Group performance*		2021	2020	Peer median 2020	Target 2021	Target 2022
Business health	Operating Margin	**27.0%**	32.2%	18.1%	**31.0%**	24%
	Operating Margin SHL	**30.5%**	37.5%	22.8%	**29.0%**	30%
	EBITDA MRI Interest Cover	**132.7%**	118.3%	89.7%	**125%**	115%
Development	New Supply Social	**2.0%**	3.0%	2.4%	**2.0%**	3.6%
	New Supply Non-Social**	**1.6%**	0.0%	0.0%	**0.0%**	0.1%
	Gearing	**46.6%**	48.7%	46.3%	**50.0%**	46.4%
Outcomes	Reinvestment	**7.8%**	12.3%	6.0%	**6.5%**	7.3%
Asset management	ROCE	**2.9%**	3.1%	2.0%	**3.1%**	2.5%
Cost per unit	Headline social housing cost	**£7,673**	£7,321	£7,340	**£7,650**	£7,345

* The definitions are per the VFM Sector Scorecard.
** New Supply Non-Social in 2021 represent outright sales units delivered through a joint venture (JV).

At Group level we fell short of our target for overall operating margin whilst meeting our target for social housing lettings with another year of increased spending on health and safety works and fire warden costs impacting on profitability. Unit costs rose as expected with year-end performance a little higher than the target.

We achieved targets in relation to EBITDA MRI and reinvestment whilst also improving our gearing ratio. These improvements were largely driven by the £2.8m share of the profit from our joint venture with

Vistry Homes (which delivered 126 non-social homes in Tower Hamlets) and lower interest costs than in the previous year.

The cost of safety improvements will continue to impact our results as we progress with a programme of works on our tall buildings but, whilst we have budgeted an additional £4m for major repairs and capital fire safety work this year compared to last year, we do not expect headline social housing cost to rise further next year.

Group entities

When looking at Group performance the Board has to take into account the impact of the subsidiaries and their contribution in terms of the value they bring to the Group.

Four of the subsidiaries do not have any staff of their own and share services and/or back office functions with Newlon Housing Trust. NewlonBuild and NewlonInvest facilitate the development programme and optimise the use of resources to deliver new homes. Meanwhile, Newlon Fusion, a charity, is able to fundraise and Access Homes is able to gift aid profits from commercial activities.

In respect of the Regulator of Social Housing's metrics, Outward is the only subsidiary that has a significant cost associated with non-housing activities.

Due to an intra-group agreement, Group Audit and Risk Committee and shared services (crucially finance and landlord health and safety), the Board considers that the relationship with Outward presents significantly less risk than dealing with a range of third party care and support providers in what is a challenging market.

Does Outward add value and make the best use of properties?

In 2020/21 Outward attracted over £12m in funding for care and support services, closely in line with the previous year. Newlon residents are beneficiaries of many of those services that have been especially vital over the past year. Occupancy was maintained at a level of 91.9% which is below Outward's target of 94.5% but this target proved to be especially challenging within the COVID-19 constraints services have been operating under. Outward maintain their commitment to review void levels across all schemes, work to identify new referral sources and, as a last resort, consider closure of schemes with persistent voids.

Does Outward provide high quality services?

Outward has maintained 100% good ratings from CQC and the latest customer survey showed 83% of service users and 93% of stakeholders were satisfied with the support services provided, whilst 94% of residents were satisfied with housing services.

Is Outward financially independent and secure?

Outward made a surplus of £802k, up by almost £500k on the previous year. It has obviously been a very challenging year in care and support with the COVID-19 crisis impacting some of Outward's planning and staffing. Outward continues to hold more than £5m in cash reserves, which would provide some time and flexibility in the event of even a serious downturn in financial performance.

Is Outward efficient?

The Outward Board is seeking continuous improvement in relation to occupancy, financial performance and efficiency.

Whilst occupancy did not meet the target, financial performance improved with Outward reporting a higher surplus than previous years and Outward also met their efficiency target by achieving a reduction in overheads from 11.3% to 10.1%.

Association metrics

We benchmark the Association's performance against a range of indicators across the themes of overall financial health, delivery of new homes, asset performance, quality of outcomes, efficiency and overall cost. In order to ensure a consistency of approach and access to a wide peer group, the Board adopted the Sector Scorecard as the foundation of this reporting and added a number of additional indicators that reflected Newlon's specific priorities. Peer group selection is consistent with reporting in previous years, using the latest available London median obtained from either the Regulator of Social Housing's published Global Accounts or the social housing benchmarking service HouseMark.

Business health

Association performance	**2021**	**2020**	Median 2020	**Target 2021**	Target 2022
Operating margin overall	**33.5%**	39.4%	21.2%	**32.0%**	27.7%
Operating margin social housing lettings	**29.2%**	38.4%	25.1%	**30.0%**	26.5%
EBITDA MRI interest cover	**141.8%**	124%	124.8%	**125%**	119%
Weighted average interest rate	**3.4%**	3.47%	-	**3.55%**	3.45%

Although operating margins overall and in the social housing business have been impacted by increased spending on building safety works and fire wardens, we continue to demonstrate strong financial performance with margins well above the sector average. We achieved our target for overall operating margin whilst the result for the social housing business was slightly below expectations. EBITDA MRI interest cover was above target this year due partly to the share of profit from the JV but we expect this to reduce again next year due to the continued investment in building safety. Meanwhile, we continued to maintain a low cost of debt and retained our 'A3 stable' credit rating with Moody's.

Growth

Association performance	**2021**	2020	Median 2020	**Target 2021**	Target 2022
New supply (total units)	**165**	232	-	**193**	300
New supply as a % of current stock	**2.0%**	3.1%	1.3%	**2.0%**	3.6%
Gearing	**47.8%**	49.8%	41.8%	**50.0%**	47.6%

Our aim is still to deliver the target of 2,000 units by 2023 and thereafter 250 homes a year in line with our Growth Strategy which seeks to address housing need across a range of tenures. The Board's aim is to support the delivery of as much low-cost rental housing as possible and this has been supported by a programme of low-cost home ownership, low-risk private sale as part of mixed tenure schemes or through joint ventures with our development partners.

This year we fell slightly short of our overall target due to some project delays resulting from COVID-19, however, we still delivered 165 new homes (2% of current stock which is above our peer group median) and we expect to exceed this number next year.

In addition to new social homes we delivered 126 new private homes in Tower Hamlets through a joint venture partnership with Vistry Homes, which generated a profit to invest in more social development.

Asset management

Association performance	2021	2020	Median 2020	Target 2021	Target 2022
ROCE	**3.1%**	3.1%	2.6%	**3.0%**	2.5%
Occupancy %	**98.4%**	99.5%	99.4%	**99.7%**	99.5%
Ratio of responsive to planned repairs	**48%**	49%	60%	**50%**	50%
% of residents satisfied with property condition	**69%**	72%	77%	**72%**	69%
Reinvestment %	**7.9%**	12.4%	4.6%	**6.5%**	7.3%

The Board has approved a programme of disposal, development and improvement that is designed to improve the overall quality, safety and economic performance of our stock. The level of investment in new and existing properties is reflected in the reinvestment percentage, which remains high compared to peers. The Board is reviewing the Asset Management Strategy this year and, in doing so, will address the tension between the investment needed to meet higher safety and environmental standards whilst continuing to deliver good value for money for current and future residents, and other stakeholders.

Disappointingly the percentage of residents saying they were happy with their property fell compared to last year, this is in line with a trend we saw against other categories of satisfaction, which is addressed in the 'Outcomes' section below.

Outcomes

Association performance	2021	2020	Median 2020	Target 2021	Target 2022
Customer satisfaction with the service overall (Rented)	**71%**	75%	77%	**76%**	71%
Customer satisfaction overall (Supported Housing)	**94%**	94%	-	**94%**	94%
Income per £ invested in community services	**£1.38**	£1.30	-	**£1.30**	£1.40
Net social value of community services (HACT)	**£3.0m**	£4.3m	-	**£4.3m**	£3.5m

After years of gradual improvement, the Board was disappointed with the fall in customer satisfaction reported in the year. Improving performance against this measure has been made a priority within the new Corporate Plan with a dedicated Service Improvement Panel overseeing the implementation of the plan. Issues related to cladding and associated remediation of buildings are likely to continue to influence resident satisfaction next year and beyond so, although we have not been able to obtain recent peer benchmarking to confirm this is a sector trend, our short term target is to maintain rather than increase satisfaction.

The Resident Services team continued to provide much needed services throughout the pandemic, helping more people than ever to claim their benefit entitlement and contacting residents throughout the lockdown to offer assistance with problems and distribute hardship funding to some of the worst affected households. The team's ability to generate income in excess of its budget means that the social value generated by the employment, training and advice services they provide was not subsidised by other residents or delivered at the expense of Newlon's other objectives. In total the team attracted 130% of their budget in additional income for the benefit of residents. Some of the team's activities were constrained as a result of the pandemic, with tutoring, exercise and other more social events reduced, and this resulted in a reduction in the HACT social value measure.

Operating efficiency

Association performance	2021	2020	Median 2020	Target 2021	Target 2022
Rent collected %	**95.5%**	99.7%	99.9%	**99.9%**	99.9%
Overheads as a % of adjusted turnover	**7.0%**	6.2%	11.8%	**6.0%**	9.0%

There was a sharp decrease in the percentage of rent collected due to the impact of the pandemic on household incomes and the suspension of court services. Arrears had become more stable by March, ending the year at 3.85% compared to a high of 4.4% in December. Despite an increase this year, our overheads remain low compared with many others in the sector. We do expect overheads to increase next year as we continue to recruit additional staff in response to the introduction of new building safety standards.

Cost per unit

Association performance	2021	2020	Median 2020	Target 2021	Target 2022
Headline social housing cost	**£5,688**	£5,167	£5,950	**£5,086**	£5,197
Management cost	**£936**	£956	£1,244	**£950**	£999
Maintenance	**£2,301**	£1,817	£1,467	**£2,020**	£2,130
Major repairs	**£814**	£1,018	£939	**£959**	£918
Service charge costs	**£1,275**	£1,078	£864	**£1,057**	£1,130
Other social housing costs	**£27**	£298	-	**£100**	£20

Additional safety works resulted in increased maintenance expenditure and this was the main factor behind the increase in headline social housing cost.

A number of factors led to a rise in service costs including an increase in costs of superior landlords, increased cleaning costs due to the pandemic and increases in insurance premiums driven by issues affecting tall buildings. We expect upward pressure on service charges to continue as more intensive cleaning may continue to be required and costs for managing fire safety in larger buildings are set to increase due to rising regulatory standards enacted through the Fire Safety and Building Safety Acts.

Maintenance costs include £2.6m spent on temporary fire wardens at a number of sites where we are now completing works. Without this additional expenditure, we expect the cost per unit to be reduced to a rate close to previous year's despite the continued investment in major repairs.

Management costs remained relatively low in comparison with other similar providers and, despite further additions to our Property Services department this year, we expect to remain well below the sector median due to the impact of a zero-based budgeting exercise that identified £1.5m of savings in the 2021/22 budget.

Operational Value for Money targets

The delivery of operational VFM targets for last year was disrupted by the COVID-19 pandemic with the organisation placing an emphasis on effectiveness and maintaining services to residents. An update on progress against the specific projects that we identified is included below.

Implement price per property arrangements with contractors.	The proposed change was put on hold due to changes in repairs reporting and delivery that occurred during and following lockdowns. The unpredictability of repairs volumes together with supply chain issues and contractor staff shortages made it impractical to implement this year. Although it remains under consideration it is unlikely we will pursue this initiative until repairs reporting patterns have stabilised.
Implement a supplier portal to improve information exchange between Newlon and contractors.	Although the solution is not yet live, we have developed a prototype that we will be testing with contractors with a view to going live later this year. This has the potential to considerably reduce back office processing.
Significantly increase the number of residents accessing services online.	Over 500 households are now using our resident portal and we are beginning a campaign to increase that to 2,500 by the end of the year. We will also be implementing a number of improvements to the repairs ordering functionality that will allow residents to order repairs directly with the contractor by the end of the financial year – this will reduce processing of routine repairs in our customer service centre.
Review remote working arrangements with a view to reducing costs and improving efficiency.	We are planning to introduce 'hybrid' working arrangements this year following our review of working during the pandemic and we have begun implementing some small changes to staffing and processes, which have contributed to the £1.5m of savings identified in the 2021/22 budget.

In the coming year we will also be introducing a Value for Money Working Group to oversee the implementation of these projects as well as identifying opportunities for procurement savings and working to streamline internal processes such as management reporting and invoice processing.

The Impact of COVID-19

Throughout 2020/21 the business operated under some form of restrictions imposed in response to the COVID-19 public health crisis. Despite three lockdowns, we managed to keep essential services running at all times, although there were some periods where we had to make adjustments to our repairs services by extending timescales for non-essential repairs. We continued to deliver statutory and health and safety compliance services throughout and, although we did encounter some more difficulties gaining access to properties to carry out checks and servicing, we have closely monitored such cases throughout the year and engaged with residents who had concerns in relation to visits.

In responding to the pandemic Newlon has taken a range of actions, including:

- Establishing weekly meetings of the Executive Team and other key officers to agree our response to the latest developments, review service performance and monitor a specific COVID-19 Risk Register.

- Implementing COVID-19 Secure arrangements in our offices and establishing suitable processes for working out of the office.
- Carrying out regular consultation with staff about working arrangements and wellbeing, and ensuring managers have weekly catch ups with each of their staff members.
- Reviewing the 2020/21 budget and revising it under the COVID-19 conditions and factoring in assumptions such as delay in property sales and the drop in values, delay in new development schemes, increase in arrears, voids, bad debt etc.
- Reviewing monthly three year cashflows under COVID-19 and stress testing these.
- Tightening internal liquidity rules to ensure the cash availability and the secured funding facility could cope with possible adverse situations.
- Reviewing the long term financial plan under COVID-19 and stress testing under a COVID-19 recession scenario.

Capital Structure and Treasury Policy

Borrowings at the year-end were £576m after fair value adjustment. Undrawn facilities amounted to £117m, which were fully secured.

The debt is sourced from a number of banks and building societies in the UK as well as corporate investors from the UK and US.

All drawn and undrawn loans were secured against social housing assets. Together with our available cash balance these funds are sufficient to meet our contractual development commitments.

Newlon Housing Trust has a Treasury Management Policy which is annually approved by the Board. The Treasury Policy seeks to address funding and liquidity risk and covenant compliance.

Interest rate risk is managed through the use of hedges. As at 31 March 2021, 85% of our debt portfolio was fully hedged and the remaining 15% was unhedged.

	Newlon		Access		Total	
	2021	2020	**2021**	2020	**2021**	2020
	£'m	£'m	**£'m**	£'m	**£'m**	£'m
Fixed	**431**	432	**-**	-	**431**	432
Fixed (cancellable option)	**-**	-	**-**	-	**-**	-
Index – linked hedge	**61**	61	**-**	-	**61**	61
Variable	**84**	86	**3**	3	**84**	89
Total drawn (after fair value adjustment)	**576**	579	**3**	3	**579**	582
Total facilities	**693**	698	**3**	3	**696**	701

We structure our loan portfolio to ensure the maturity period is staggered such that large repayments do not occur in the same financial year. This helps us to minimise the refinancing risk. The table below provides an analysis of when the drawn debt falls due for repayment.

Maturity	Group	Association
	£'m	£'m
0 - 1 year	3.1	3.0
1 - 2 years	3.6	3.4
2 - 5 years	16.0	15.6
5 - 10 years	109.6	108.6
10 - 20 years	344.0	342.8
20 - 30 years	99.6	99.6

Available funding ensures the Group's business plan is fully funded and sufficient level of liquidity is maintained.

Compliance with the loan covenants is monitored by the management team monthly and by the Development Committee and the Board quarterly. We fully complied with our financial covenants in 2020/21 and expect to continue to be compliant.

Principal risks and uncertainties

Risk	Mitigation
Non-recovery of building safety costs	We have identified a number of tall buildings that require additional fire safety works and this has meant increased cost, both in the short-term on fire wardens, and in the medium term in remediation works. We are prioritising the completion of building safety works under the supervision of a dedicated team whilst ensuring that we pursue maximum funding from third parties and grant opportunities. A phased programme has been agreed to minimise impact on development capacity and Section 20 consultation has been carried out on works to allow for potential recovery from leaseholders as a fall back option.
Viability of new development	Changes to legislation and the grant funding regime together with rising development costs have the potential to impact the viability of our development plans. Whilst we remain committed to current projects the Board has chosen to take a more cautious approach to new developments whilst we consider the impact of proposed changes and evaluate our financial capacity to deliver additional homes in the current operating environment within a new Growth Strategy later this year.
Sales market decline	Although it has been buoyant since the announcement of a Stamp Duty Holiday, there is uncertainty over the medium-term prospects of the London sales market. We also expect to continue to receive reduced income from staircasing whilst we obtain EWS1 certificates for tall buildings. There is regular scrutiny of sales performance at Executive, Committee and Board level, whilst scenario testing showed the Association to be resilient to a fall in the housing market and, crucially, to extended sales periods. On developments where sales have been slow we have contingency plans to change tenure that will be triggered under certain market conditions.

Risk	Mitigation
Breach of health and safety standards	Statutory Health and Safety services have operated as normal throughout the year with weekly Executive Team monitoring during lockdown periods. Key aspects of landlord health and safety are audited by internal auditors as part of a quarterly compliance check. Fire and gas safety, water hygiene and asbestos are also subject to in-depth audits on a three year rolling programme. We engage expert advisors in all these areas to ensure that our assessments and processes are thorough and remain in step with best practice. The Board has made extra investment in our property services department in order to ensure that we have the in-house expertise to deal with some complex major works projects related to safety.
Resident Satisfaction and Service Standards	With the publication of the Housing White Paper and the new Housing Ombudsman Complaint Code over the course of the year, we are aware of the need to challenge service standards and deliver improvements to resident services. The Board has agreed an Action Plan in response to the White Paper, we have implemented more streamlined complaints processes and agreed a service improvement plan with our principal contractor. Service improvement is a key strand of our new Corporate Strategy and delivering improvements will be an area of focus of the Board over the next few years.
Asset Investment	Building standards are rising due to new building safety legislation and the push towards zero carbon, this will make it more expensive to maintain existing stock. In response to these changes, we plan to undertake a comprehensive review of our Asset Management Strategy this year, factoring in new safety and decency standards as well as the need to make our homes more energy efficient.
Contractor failure	With the UK facing a period of profound and sustained economic disruption, many businesses are vulnerable including businesses in the construction and maintenance sectors. Some of our usual controls such as periodic financial monitoring may not pick up some of the difficulties that could arise as a result of a sudden economic shock of this kind. We are actively monitoring risks on all construction projects and large supplier contracts with project and contract managers, closely engaging with our partners and feeding any concerns back through the Executive Team.

Anti-slavery statement

We recognise that we need to be vigilant and committed to driving out potential acts of modern day slavery from our supply chains. We have responsibility under the Modern Slavery Act 2015 to ensure transparency in the provision of all our goods and services. We confirm, so far as we are aware, we had no acts of modern day slavery within our organisation as at 31 March 2021.

Future prospects

Despite the uncertainty of the operating environment and the continued difficulties of operating under the constraints imposed by the public health crisis, Newlon remains in a strong financial position with good liquidity and a financial plan that indicates our future prospects are good. Sales have remained steady throughout the pandemic and, although the market has undoubtedly been supported by the

Stamp Duty Holiday, there are reasons to be positive about the medium term market with the growth in bank deposits over the past year indicating that one barrier to the market may have been removed for some potential customers.

Although we plan to be more cautious in our approach to development while we await the economic fallout from Brexit and the pandemic to become clearer, we remain committed to delivering new homes within our financial capacity and strategic development partnership. We have also just received an overwhelming endorsement from our residents on Barnsbury Estate to carry out an exciting transformation programme that will see the improvement of old properties and the provision of new homes over a ten year period.

Resident safety remains a priority and we have provided for new posts in the budget to ensure that each building has a dedicated safety manager. We will also be implementing new systems to respond to regulatory requirements and resourcing works to tall buildings as a priority. Whilst these commitments are impacting unit costs, we have planned for them in such a way as to mitigate their impact on our other objectives.

We have responded positively to enforced changes on the way we work, switching effectively to remote working and developing a hybrid-working approach that will be implemented when restrictions are lifted. The lockdowns have been a catalyst for some system improvements and we are confident that we can realise the many benefits of more flexible working whilst retaining corporate culture that we need to continue making a difference in our communities.

Governance

The Board reviews compliance annually and confirms that the Association is compliant with the National Housing Federation (NHF) Code of Governance 2015 and Code of Conduct 2012.

Newlon is committed to sound corporate governance and the Board has decided to adopt the 2020 NHF Code of Governance from 2021/22, with the exception of deferring a decision about whether to adopt the provision around maximum Board member tenure for a year, in order to gauge how others in the sector address this.

The Board

The Group Board is comprised of nine non-executives and the Group Chief Executive. It is also the Association Board. Other senior staff members attend Board meetings as required. All other members of the Group have their own governing Boards. The present Board members and Executive Directors of the Group are set out on page 2.

The Board delegates some of its responsibilities to functional committees. Each of these committees has clear terms of reference and delegated authority. There are four main functional committees: the Group Audit and Risk Committee, the Residents' Services Committee, the Development Committee and the People and Governance Committee. In addition, there is an Urgency Committee for any urgent commercial or strategic decisions.

Group Audit and Risk Committee

The Group Audit and Risk Committee oversees the work of both the internal and external audit function and the risk management and internal controls for the Group. The Committee reviews the audited financial statements for all parts of the Group and recommends them to the relevant Boards for approval. Through the reports it receives, the Committee gains external assurance that the Group has appropriate systems of internal control. The Group Audit and Risk Committee met four times during the year.

Residents' Services Committee

The Residents' Services Committee oversees the provision of services and housing management activities of the Association's residents and met four times during the year. The Committee is supported by a Residents' Forum and Residents' Scrutiny Panel.

Development Committee

The Development Committee is responsible for reviewing and approving development activities within the Group. The Committee also assists the Board in formulating growth strategies and monitors their progress.

People and Governance Committee

The People and Governance Committee considers remuneration of Board members and of the Executive team. The Committee is also responsible for annually appraising the Group Chief Executive and monitoring the performance of the other Executive team members. In addition, the Committee reviews the process for Board member appointment and significant Human Resources issues across the Association.

Urgency Committee

The Urgency Committee can take significant decisions which fall outside delegated authority to staff and are time critical.

The Executive Team

The Group's Executive Team including the Chief Executive have served throughout the year. The Executive Team hold no interest in the Association's shares and act as executives within the authority delegated by the Board.

The Chief Executive and Executive Team members are on notice periods ranging from three to six months. Details of the Board and Executive Team remuneration are shown in notes 9 and 10 (pages 49 and 50).

Newlon operates a defined contribution scheme for all staff including the Executive Team. Newlon contributes 8% of employee salaries.

Compliance with Governance and Financial Viability Standard

Newlon Housing Trust, as a registered provider, has undertaken an assessment of compliance as required under the above standard annually. This report has been prepared in accordance with applicable standards and legislation. The Board confirms that the Group has complied with the Regulator of Social Housing's Governance and Financial Viability Standard.

Going concern

The financial statements are prepared on the basis that Newlon Housing Trust will continue for the forthcoming 12 months from the date of signing of these financial statements. The annual budget for 2021/22 and the business plans have also been issued and approved by the Board. The Budget and the business plan were re-done under the COVID-19 conditions and subjected to various adverse scenarios. This work, along with the consideration of the mitigation plans and good level of liquidity, provides evidence in support of the going concern. For this reason Newlon continues to adopt the going concern basis in preparation of the financial statements.

Judgements in applying accounting policies and key sources of estimation uncertainty

These are outlined in notes forming part of the financial statements (note 3, page 41).

Post balance sheet events

There were no post balance sheet events.

Board members' responsibilities

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

Co-operative and Community Benefit Society law and social housing legislation require the Board to prepare financial statements for each financial year for the Group and Association 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 (SORP) Accounting by Registered 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 Association will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable 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. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2018.

Financial statements are published on the Association's website (**www.newlon.org.uk**) 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 Association's website is the responsibility of the Board. The Board's responsibility also extends to the ongoing integrity of the financial statements contained therein.

Statement of internal controls

The Newlon Housing Trust Board has overall responsibility for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance against financial misstatement or loss or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group's assets and interests.

Report of the Board of Management and Strategic Review
for the year ended 31 March 2021

The Group Chief Executive presents a detailed report to the Group Audit and Risk Committee and Board each year on Internal Controls Assurance. As a result of the consideration of this report the Board is prepared to make this statement.

The Board confirms that there is an on-going process for identifying, evaluating and managing the significant risks faced by the Group and a robust and prudent business planning, risk and control framework is in place. This approach has operated throughout the year under review up to and including the date of approval of the annual report and financial statements.

Some of the key elements of the control process that the Board has established for Newlon Housing Trust are as follows:

- The incorporation of key risks into a risk map with the Board considering significant risks as part of the decision-making process.
- The adoption of a business plan with a financial plan and the modelling and evaluation of long-term financial scenarios.
- The review and approval of detailed Standing Orders and Financial Regulations and documentation of policies and procedures for all key operational areas.
- The operation of an outsourced internal audit function, reporting directly to the Group Audit and Risk Committee, which follows a needs and risk based plan. The implementation of recommendations is monitored by the Group Audit and Risk Committee.
- The formal appraisal by the Board of new business opportunities including significant new schemes and a delegated framework for investment decisions.
- The use of a Business Improvement Team to seek continuous improvement and regularly audit compliance with agreed policies and procedures.
- The operation of a comprehensive budgeting system and the regular review of financial and operational performance, including key indicators..

The Group has in place an Anti-Fraud and Corruption Policy and Anti-Money Laundering Policy and Procedure which is aimed at tackling fraud, corruption, theft and breaches of regulations.

There are whistleblowing and disciplinary policies and procedures in place for all Group entities which link in to the Group Anti-Fraud and Corruption Policy. There is a Fraud Response Plan which is aimed at ensuring the Group responds promptly to fraud or fraud allegations and is able to recover its assets where relevant.

There is a Fraud & Bribery Register which is reviewed at each Group Audit and Risk Committee meeting.

The Board confirms that there have been no regulatory concerns which have led the Regulator of Social Housing to intervene in the affairs of the Group, neither are there significant problems in relation to failures of internal controls which require disclosure in the financial statements.

The Board has reviewed the Trust's compliance with the RSH's Governance and Financial Viability Standard during the year in a Stability Check and reaffirmed Newlon's G1 rating for governance and a compliant V2 rating for viability.

All subsidiaries of the Trust have their own Boards of Management with financial services provided through the Trust's Finance function. Group members also provide significant non-financial services to each other.

Auditors

At the date of this report each Board member confirms the following:

- So far as each Board member is aware, there is no relevant information needed by the Trust's auditors in connection with preparing their report of which the Trust's auditors are unaware.
- Each Board member has taken all of the steps that they ought to have taken as a Board member in order to make themselves aware of any information needed by the Trust's auditors in connection with preparing their report and to establish that the Trust's auditors are aware of that information.

By order of the Board

G. Dh

Glenn Dhurowa
Company Secretary

14 July 2021

Independent Auditor's Report to the members of Newlon Housing Trust

Opinion on the financial statements

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 2021 and of the Group's and the Association's income and expenditure 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 and the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969.

We have audited the financial statements of Newlon Housing Trust ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2021 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 equity, the consolidated cash flow statement 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).

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

In auditing the financial statements, we have concluded that the Board members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board members with respect to going concern are described in the relevant sections of this report.

Other information

The Board are responsible for the other information. The 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. Our responsibility is to read the other information including the Chair's Statement and the Report of the Board of Management and Strategic Review, 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 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 Board members' responsibilities statement set out on page 19, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Group and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to their registration with the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the Group Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Accounting Direction for Private Registered Providers of Social Housing and tax legislation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence if any.

The audit procedures to address the risks identified included:

- Challenging assumptions made by management in their significant accounting estimates and judgements in relation to the net realisable value of properties, defined benefit pension scheme, management judgement relating to income recognition.
- Identifying and testing journal entries, in particular any journal entries posted from staff members with privilege access rights, journals posted by key management, journals posted and journals posted after the year end.
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the Regulator of Social Housing.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

Philip Cliftlands

Phil Cliftlands (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Gatwick, West Sussex, United Kingdom.

Date: 3 September 2021

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

Consolidated statement of comprehensive income
for the year ended 31 March 2021

	Note	Group 2021 £'000	Group 2020 £'000
Turnover	4	**100,039**	91,001
Cost of sales	4	**(12,359)**	(7,940)
Operating costs	4	**(60,643)**	(53,746)
Surplus on disposal of fixed assets: Housing properties	11	**8,001**	6,978
Operating surplus	4,7	**35,038**	36,293
Share of profit/loss from joint venture	19	**2,736**	(155)
Surplus on sales of other fixed assets	11	**9**	-
Other interest receivable and similar income	12	**370**	342
Interest and financing costs	13	**(18,144)**	(18,971)
Movement in fair value of investment properties	17	**507**	(166)
Surplus before taxation		**20,516**	17,343
Taxation on surplus	14	**-**	-
Surplus for the financial year		**20,516**	18,007
Movement in fair value of defined benefit pension schemes	30	**(495)**	654
Movement in fair value of hedged financial instrument	13	**-**	11,784
Total comprehensive income for year		**20,021**	29,781

The notes on pages 31 to 73 form part of these financial statements.

All activities relate to continuing operations.

Association statement of comprehensive income
for the year ended 31 March 2021

	Note	Association 2021 £'000	Association 2020 £'000
Turnover	4	**86,627**	75,358
Cost of sales	4	**(12,036)**	(7,939)
Operating costs	4	**(45,602)**	(37,771)
Surplus on disposal of fixed assets: Housing properties	11	**8,001**	6,396
Operating surplus	4,7	**36,990**	36,044
Surplus on sales of other fixed assets	11	**9**	-
Other interest receivable and similar income	12	**344**	963
Interest and financing costs	13	**(18,126)**	(18,931)
Surplus before taxation		**19,217**	18,076
Taxation on surplus	14	**-**	-
Surplus for the financial year		**19,217**	18,076
Other Comprehensive Income			
Movement in fair value of hedged financial instrument	13	**-**	11,784
Total comprehensive income for year		**19,217**	29,860

The notes on pages 31 to 73 form part of these financial statements.

All activities relate to continuing operations.

Consolidated and Association balance sheets
at 31 March 2021

	Note	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Fixed assets					
Tangible fixed assets – housing	15	**1,126,067**	1,103,121	**1,113,892**	1,091,172
Tangible fixed assets – other	16	**9,417**	9,734	**8,958**	8,905
Investment properties	17	**2,902**	1,990	**-**	-
Investments	18	**1**	2	**-**	-
		1,138,387	1,114,847	**1,122,850**	1,100,077
Current assets					
Properties developed for sale	20	**38,045**	37,110	**38,045**	37,110
Debtors – receivable within one year	21	**17,339**	10,264	**14,981**	30,159
Debtors – receivable after one year	21	**-**	20,431	**-**	-
Current asset investments	22	**30**	30	**30**	30
Cash and cash equivalents		**52,994**	41,300	**42,424**	32,391
		108,408	109,135	**95,480**	99,690
Creditors: amounts falling due within one year	23	**(42,807)**	(39,354)	**(37,820)**	(37,536)
Net current assets		**65,601**	69,781	**57,660**	62,154
Total assets less current liabilities		**1,203,988**	1,184,628	**1,180,510**	1,162,231
Creditors: amounts falling due after more than one year	24	**(998,185)**	(999,285)	**(988,059)**	(988,997)
Provisions for liabilities and charges	29	**(7)**	(7)	**(7)**	(7)
Net assets		**205,796**	185,336	**192,444**	173,227
Capital and reserves					
Called up share capital	31	**-**	-	**-**	-
Designated reserve		**2,300**	1,752	**-**	-
Income and expenditure reserve		**203,462**	183,550	**192,444**	173,227
Cashflow hedge reserve		**-**	-	**-**	-
Restricted reserve		**34**	34	**-**	-
		205,796	185,336	**192,444**	173,227

The financial statements were approved by the Board of Directors and authorised for issue on 14 July 2021.

Aman Dalvi
Chair

Jackie Ballard
Vice Chair

Glenn Dhurowa
Company Secretary

The notes on pages 31 to 73 form part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 March 2021

Group	Cashflow hedge reserve	Designated reserve	Income and expenditure reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020	-	1,752	183,550	34	185,336
Surplus/(deficit) for the year	-	548	20,516	-	21,604
		2,300	204,066	34	206,400
Movement in fair value of hedged financial instrument	-	-	-	-	-
Actuarial losses on defined benefit pension schemes	-	-	(495)	-	(495)
Other comprehensive income for the year	--	-	(495)	-	(495)
Balance at 31 March 2021	**-**	**2,300**	**203,570**	**34**	**205,905**

Group	Cashflow hedge reserve	Designated reserve	Income and expenditure reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019	(11,784)	1,752	165,553	34	155,555
Surplus/(deficit) for the year	-	-	17,343	-	17,343
Movement in fair value of hedged financial instrument	11,784	-	-	-	11,784
Actuarial losses on defined benefit pension schemes	-	-	654	-	654
Other comprehensive income for the year	11,784	-	654	-	12,438
Balance at 31 March 2020	-	1,752	183,550	34	185,336

Association statement of changes in equity
for the year ended 31 March 2021

Association	Cash flow hedge reserve	Income and expenditure reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2020	-	173,227	173,227
Surplus for the year	-	19,217	19,217
Movement in fair value of hedged financial instrument	-	-	-
Other comprehensive income for the year	-	-	-
Balance at 31 March 2021	**-**	**192,444**	**192,444**

Association	Cash flow hedge reserve	Income and expenditure reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2019	(11,784)	155,151	143,367
Surplus for the year	-	18,076	18,076
	(11,784)	173,227	161,443
Movement in fair value of hedged financial instrument	11,784	-	11,784
Other comprehensive income for the year	11,784	-	11,784
Balance at 31 March 2020	-	173,227	173,227

Consolidated statement of cash flows
for the year ended 31 March 2021

	Note	Group 2021	Group 2020
		£'000	£'000
Cash flows from operating activities			
Surplus/(deficit) for the financial year		20,516	17,343
Adjustments for:			
Depreciation of fixed assets - housing properties	15	7,765	7,073
Depreciation of fixed assets - other	16	563	440
Decrease/(increase) in stock	20	5,199	(9,111)
Share of (surplus)/deficit in joint venture	19	(2,736)	155
Amortised grant	5	(3,781)	(3,384)
Housing asset component write off	15	1,020	200
Interest payable	13	18,144	18,971
Interest received	12	(370)	(342)
Finance cost	13	-	-
Movement in fair value of investment properties	17	(438)	166
Taxation expense	14	-	-
Surplus on the sale of fixed assets - housing properties	11	(8,010)	(6,978)
Surplus on the sale of fixed assets - other	11	(9)	-
Increase/(decrease) in pension liability		(106)	(88)
Decrease/(increase) in trade and other debtors		13,356	(10,946)
Proceeds from sales of fixed assets - housing properties	11	12,884	18,791
Increase/(decrease) in trade and other creditors		3,234	3,210
Increase/(decrease) in provisions	29	(1)	(18)
Transaction costs from sale of housing properties		(79)	(564)
Cash from operations	28	67,151	34,918
Taxation paid		-	-
Net cash generated from operating activities		67,151	34,918
Cash flows from investing activities			
Proceeds from sales of fixed assets - other	11	-	350
Purchase of fixed assets - housing properties	13/15	(39,716)	(44,606)
Purchase of fixed assets - other	16	(624)	(645)
Purchase of fixed assets - investment properties	17	(9)	(356)
Interest received	12	370	342
Purchase of investment in joint venture	19	-	(8)
Purchase of current asset investments	22	-	-
Net cash from investing activities		(39,979)	(44,923)
Cash flows from financing activities			
Sale of current asset investments	21	-	-
Interest paid		(20,703)	(20,514)
Finance cost	13	-	-
New loans - banks		-	80,000
Repayment of loans		(2,400)	(42,967)
Grant repaid		-	-
Grants received during year	24	7,625	762
Net cash used in financing activities		(15,478)	17,281
Net increase/(decrease) in cash and cash equivalents		11,694	7,276
Cash and cash equivalents at beginning of year		41,300	34,024
Cash and cash equivalents at end of year		52,994	41,300

The notes on pages 31 to 73 form part of these financial statements.

Index of notes

1. Legal status

The Association is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with the Regulator of Social Housing as a social housing provider and is a public benefit entity. The registered office is Newlon House, 4 Daneland Walk, Hale Village, London, N17 9FE.

2. Accounting policies

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Newlon Housing Trust includes the Co-operative and Community Benefit Societies Act (and related Group accounts regulations), 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, "Accounting by registered social housing providers" 2018, the Accounting Direction for Private Registered Providers of Social Housing 2019.

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

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent company would be identical.
- No cash flow statement has been presented for the parent company.
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole.
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

The following principal accounting policies have been applied:

Basis of preparation

The financial statements have been prepared with strong consideration of the impact of COVID-19 on the Group and its subsidiaries. The nature of the Group's activities and financial position has meant COVID-19 has had an immaterial impact on the Group to date. The Budget and the business plan were re-done under the COVID-19 conditions and subjected to various adverse scenarios. This work, along with the consideration of the mitigation plans and good level of liquidity, provides evidence in support of the Group and subsidiaries' going concern. For this reason the Group continues to adopt the going concern basis in preparation of the financial statements.

Basis of consolidation

The consolidated financial statements present the results of Newlon Housing Trust and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

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).
- First tranche sales of low cost home ownership housing properties developed for sale.
- Service charges receivable.
- Revenue grants.
- Proceeds from the sale of land and property.
- Supporting People contract income.

Rental income is recognised from the point when properties under development reach practical completion and are formally let. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Supported People contract income is recognised on delivery of supported services.

Supported Housing schemes

The Group receives Supporting People grants from a number of London boroughs, county councils and health authorities. The grants received in the period, as well as costs incurred by the Group in the provision of support services, have been included in the Income and Expenditure Account. Any excess of cost over the grant received is borne by the Group where it is not recoverable from tenants.

Social housing capital grants are claimed by the Association as developer and owner of the property and included in the balance sheet of the Association. The treatment of other income and expenditure in respect of supported housing projects depends on the nature of the partnership arrangements between the Association and its managing agents and on whether the Association carries the financial risk.

The Group provides support directly and through sub-contracting to agencies and payments to the agencies are included as supporting people operating costs.

Service charges

The Association operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus and deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the balance sheet.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents. Until these costs are incurred this liability is held in the balance sheet within creditors.

Management of units owned by others

Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

Schemes managed by agents

Income is shown as rent receivable and management fees payable to agents are included in operating costs.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in income and expenditure, except that a change attributable to an item of income or expense 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 countries where the company's subsidiaries operate and generate taxable income.

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

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

Value Added Tax

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the statement of comprehensive income. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Pension costs

The Association operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Association in an independently administered fund. The pension costs included in these financial statements represent contributions payable by the Association to the fund, which in turn represent a regular pension cost over the average service lives of employees.

A number of the former employees of Tower Hamlets Consortium Limited, now employed by Outward Housing, participate in the Social Housing Pension Scheme, a multi-employer defined benefit scheme, the details of which are shown in note 30. The scheme is closed to new employees.

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.

Tangible fixed assets – housing properties

Housing properties constructed or acquired (including land) on the open market are stated at cost less depreciation and impairment (where applicable).

The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of managing development.

Directly attributable costs of acquisition includes capitalised interest calculated, on a proportional basis, using finance costs on borrowing which has been drawn in order to finance the relevant construction or acquisition. Where housing properties are in the course of construction, finance costs are only capitalised where construction is ongoing and has not been interrupted or terminated.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the statement of comprehensive income.

Mixed developments are held within PPE and accounted for at cost less depreciation. Commercial elements of mixed developments are held as investment properties.

Housing properties in the course of construction, excluding the estimated cost of the element of Shared Ownership properties expected to be sold in first tranche, are included in PPE and held at cost less any impairment, and are transferred to completed properties when ready for letting.

Depreciation of housing property

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.

Freehold land is not depreciated.

Housing properties are split between the structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life as follows:

Description	Economic useful life (years)
Structure	125
Kitchen	15
Bathroom and central heating	20
Roofs	75
Windows and electrics	30

Leasehold properties are depreciated over the length of the lease except where the expected useful economic life of properties is shorter than the lease; when the lease and building elements are depreciated separately over their expected useful economic lives.

Donated land and other assets

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

Shared Ownership properties and staircasing

Under low cost home ownership arrangements, the Group disposes of a long lease on low cost home ownership housing units for a share ranging between 25% and 75% of value. The Buyer has the right to purchase further proportions and 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 proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element, 'staircasing element', is classed as PPE and included in completed housing property at cost and any provision for 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.

Low cost home ownership properties are not depreciated on the expectation that the net realisable value at the time of disposal will be in excess of the historical cost.

For Shared Ownership accommodation that the Group is responsible for, it is the Group's policy to maintain them in a continuous state of sound repair. Maintenance of other Shared Ownership properties is the responsibility of the shared owner. Any impairment in the value of such properties is charged to the Statement of Comprehensive Income.

Allocation of costs for mixed tenure and Shared Ownership developments

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure, costs are allocated on a floor area or unit basis depending on the appropriateness for each scheme. Surplus/(deficits) on service charges will be adjusted against income.

Tangible fixed assets – other

Other tangible fixed assets, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation of other tangible fixed assets

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range is as follows:

Description	Economic useful life (years)
Leasehold land and buildings	Lease term or 125
Motor vehicles	4
Office furniture, fixtures, equipment and computers	5

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

Government grants

Grant received in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. Grant is carried as deferred income in the balance sheet and 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 2014 the useful economic life of the housing property structure has been selected (see table in 'Tangible fixed asset – other' section above).

Where Social Housing Grant (SHG) 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 and expenditure account.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once performance related conditions have been met.

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

Recycled Capital Grant Fund

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 Group 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'.

Disposal Proceeds Fund

Receipts from Right to Acquire (RTA) sales are required to be retained in a ring-fenced fund that can only be used for providing replacement housing. The sales receipts less eligible expenses are credited to the disposal proceeds fund. Any sales receipts less eligible expenses held within disposal proceeds 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'.

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 the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in income or expenditure.

Impairment of fixed assets and goodwill

The housing property portfolio for the Group 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 for which impairment is indicated to their recoverable amounts. An option appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The Group looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use. No properties have been valued at VIU-SP.

The Group defines cash generating units as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to income and expenditure.

Stock

Stock represents work in progress and completed properties of Shared Ownership properties. For Shared Ownership properties the value held as stock is the estimated cost to be sold as a first tranche.

Stock is stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable 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 Group estimates the recoverable value 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 Group 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.

Loans, investments and short term deposits

All loans, investments and short term deposits held by the Group, with the exception of the cancellable fixed rate loan detailed below, are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost. Loans and investments that are payable or receivable within one year are not discounted.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Cash and cash equivalents

Cash and cash equivalents in the Group's consolidated statement of financial position consists of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

The Group has also identified some investments, which meet the definition of cash and cash equivalents but are restricted in their use; these investments have been classified as restricted cash equivalents.

Financial instruments

Valuation techniques have been used to determine the value of financial instruments by estimating how financial instruments will be priced by market participants. In arriving at the valuations actual data is used (or best available information if data is not available). The Cancellable Fixed Rate loan and the interest rate cap qualify for hedge accounting and have therefore been fair valued as financial instruments.

As a result their measurement is determined by Section 12 of FRS 102. In determining the appropriate accounting treatment for these instruments we have assumed that the Regulations referred to in 12.8c, which are the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, are applicable to Newlon Housing Trust.

Associates and joint ventures

An entity is treated as a joint venture where the company 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 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 consolidated share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Association. In the consolidated balance sheet, the interests in associated undertakings are shown as the consolidated share of the identifiable net assets, including any unamortised premium paid on acquisition.

Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximately to ownership (finance leases), the assets are treated as if they has been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss 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. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

Leasehold sinking funds

Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors.

Provision for liabilities

The Group has recognised provisions for liabilities of uncertain timing or amounts including those for major repairs on stock transfers and leaseholders, overage for gap funding and restructuring.

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date.

Where the effect of the time value of money is material the amount expected to be required to settle the obligation is recognised at the present value using a discount rate. The unwinding of the discount is recognised as a finance cost in income and expenditure in the period it arises.

Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

Contingent liabilities

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 for 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.

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

Reserves

Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds. Realised and unrealised gains and losses on assets held by these funds are also allocated to the fund.

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund.

Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.

Designated funds are unrestricted funds earmarked by the Trustees for particular purposes.
The revaluation reserve is created from surpluses on asset revaluation.

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, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash generating units as a scheme. This was followed by establishing our net cash flows for each scheme over the estimated life of 100 years. Net cash flows consist of cash inflows which are solely from annual rent and cash outflows consisting of management costs, routine maintenance, service costs (for Affordable Rent units only) and planned and major works. A terminal value is also included in the net cash flow to account for business into the foreseeable future. This is based on the net cash flow for year 100. Annual rental income is assumed to increases by CPI plus 1%.
- The anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for first tranche sale. This judgement is also based on the member's best estimate of sales value based on economic conditions within the area of development.
- Whether leases entered into by the Group either as a lessor or a lessee are operating or lease 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 between current and fixed assets.
- The exemptions to be taken on transition to FRS 102.
- 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.
- Cash generating units have been defined as schemes for the purpose of evaluating impairment issues.

Other key sources of estimation uncertainty

- **Tangible fixed assets (see note 15, 16 and 17)**

  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 using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself.

- **Rental and other trade receivables (debtors) (see note 21)**

  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.

Other areas of estimation uncertainty may include:

- Project or scheme costs are capitalised on the basis that the scheme will be completed and the costs for each unit upon completion is apportioned on square feet or area of each unit.
- If a project or scheme becomes unfeasible then the costs will be written off to the income and expenditure as abortive costs.
- Revenue recognition around particular contracts – income is generated from a range of sources, in particular from rent to service charges to local authority income under a wide variety of contract types, durations and service specifications. Judgement is applied as to income recognition and recoverability on a source by source and/or contract by contract basis.
- Fair value measurements for fixed asset revaluations are carried out by independent third parties.
- Obligations under defined benefit pension scheme is accounted for as multi-employer.

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

Group	Turnover 2021 £'000	Cost of sales 2021 £'000	Operating costs 2021 £'000	Surplus on sale of fixed assets 2021 £'000	Operating surplus/ (deficit) 2021 £'000
Social housing lettings (note 5)	65,157	-	(45,256)	-	19,901
Other social housing activities					
First tranche low cost home ownership sales	13,060	9,029)	(468)	-	3,563
Development services	1,142	-	(1,859)	-	(717)
Supporting people and care	12,393	-	(12,777)	-	(384)
Community regeneration	47	-	(59)	-	(12)
Surplus on sale of fixed assets	-	-	-	8,001	8,001
Other activities	4,618	(323)	(224)	-	4,071
Total social housing activities	96,417	(9,352)	(60,643)	8,001	34,423
Other non-social activities	3,622	(3,007)	-	-	615
Total social housing activities	100,039	(12,359)	(60,643)	8,001	35,038

Group	Turnover 2020 £'000	Cost of sales 2020 £'000	Operating costs 2020 £'000	Surplus on sale of fixed assets 2020 £'000	Operating surplus/ (deficit) 2020 £'000
Social housing lettings (note 5)	61,088	-	(38,174)	-	22,914
Other social housing activities					
First tranche low cost home ownership sales	13,466	(7,939)	(455)	-	5,072
Development services	1,234	-	(1,904)	-	(670)
Supporting people and care	12,377	-	(12,978)	-	(601)
Community regeneration	42	-	(41)	-	1
Surplus on sale of fixed assets	-	-	-	6,978	6,978
Other activities	2,794	(1)	(194)	-	2,599
	29,913	(7,940)	(15,572)	6,978	13,379
Total social housing activities	91,001	(7,940)	(53,746)	6,978	36,293

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

Association	Turnover 2021	Cost of sales 2021	Operating costs 2021	Surplus on sale of fixed assets 2021	Operating surplus/ (deficit) 2021
	£'000	£'000	£'000	£'000	£'000
Social housing lettings (note 5)	60,847	-	(43,081)	-	17,766
Other social housing activities					
First tranche low cost home ownership sales	13,060	(9,029)	(468)	-	3,563
Development services	1,142	-	(1,859)	-	(717)
Surplus on sale of fixed assets	-	-	-	8,001	8,001
Other activities	7,956	-	(194)	-	7,762
	22,158	(9,029)	(2,521)	8,001	18,609
Total social housing activities	83,005	(9,029)	(45,602)	8,001	36,375
Activities other than social housing	3,622	(3,007)	-	-	615
Total activities	86,627	(12,036)	(45,602)	8,001	36,990

Association	Turnover 2020	Cost of sales 2020	Operating costs 2020	Surplus on sale of fixed assets 2020	Operating surplus/ (deficit) 2020
	£'000	£'000	£'000	£'000	£'000
Social housing lettings (note 5)	57,218	-	(35,223)	-	21,995
Other social housing activities					
First tranche low cost home ownership sales	13,466	(7,939)	(455)	-	5,072
Development services	1,234	-	(1,904)	-	(670)
Surplus on sale of fixed assets	-	-	-	6,396	6,396
Other activities	3,440	-	(189)	-	3,251
	18,140	(7,939)	(2,548)	6,396	14,049
Total social housing activities	75,358	(7,939)	(37,771)	6,396	36,044
Activities other than social housing	-	-	-	-	-
Total activities	75,358	(7,939)	(37,771)	6,396	36,044

5. Income and expenditure from social housing lettings

Group	General Needs	Supported Housing	Low cost home ownership	Key Worker	**Total 2021**	**Total 2020**
	£'000	£'000	£'000	£'000	**£'000**	**£'000**
Income						
Rents net of identifiable service charges	35,375	3,323	3,664	8,048	**50,410**	48,816
Service charge income	6,101	2,300	2,204	21	**10,626**	8,639
Amortised government grants	3,754	-	27	-	**3,781**	3,384
Net rental income	**45,230**	**5,623**	**5,895**	**8,069**	**64,817**	60,839
Other Income	3	-	176	161	**340**	249
Turnover from social housing lettings	**45,233**	**5,623**	**6,071**	**8,230**	**65,157**	61,088
Expenditure						
Management	4,220	99	1,202	1,130	**6,751**	7,213
Service charge costs	5,399	1,644	2,116	2,047	**11,206**	10,135
Routine maintenance	7,412	134	2	756	**8,304**	6,811
Planned maintenance	7,890	154	1	622	**8,667**	6,383
Major repairs expenditure	591	-	-	-	**591**	215
Bad debts	225	151	-	128	**504**	144
Depreciation of housing properties:						
Annual charge	6,688	238	-	1,287	**8,213**	7,072
Accelerated on disposal of components	1,020	-	-	-	**1,020**	201
Operating expenditure on social housing lettings	**33,445**	**2,520**	**3,321**	**5,970**	**45,256**	38,174
Operating surplus on social housing lettings	**11,788**	**3,103**	**2,750**	**2,260**	**19,901**	22,914
Void losses	**114**	**565**	**6**	**520**	**1,205**	1,205

5. Income and expenditure from social housing lettings

Association	General Needs	Supported Housing	Low cost home ownership	Key Worker	**Total 2021**	**Total 2020**
	£'000	£'000	£'000	£'000	**£'000**	**£'000**
Income						
Rents net of identifiable service charges	35,135	2,297	3,357	8,048	**48,837**	47,409
Service charge income	6,086	-	1,992	21	**8,099**	6,304
Amortised government grants	3,721	-	-	-	**3,721**	3,323
Net rental income	**44,942**	**2,297**	**5,349**	**8,069**	**60,657**	57,036
Other income	-	-	29	161	**190**	182
Turnover from social housing lettings	**44,942**	**2,297**	**5,378**	**8,230**	**60,847**	57,218
Expenditure						
Management	4,169	333	1,202	1,130	**6,834**	6,875
Service charge costs	5,377	-	1,890	2,047	**9,314**	7,748
Routine maintenance	7,389	-	-	756	**8,145**	6,689
Planned maintenance	7,889	154	-	622	**8,665**	6,364
Major repairs expenditure	591	-	-	-	**591**	215
Bad debts	224	-	-	128	**352**	113
Depreciation of housing properties:						
Annual charge	6,635	238	-	1,287	**8,160**	7,020
Accelerated on disposal of components	1,020	-	-	-	**1,020**	199
Operating expenditure on social housing lettings	**33,294**	**725**	**3,092**	**5,970**	**43,081**	35,223
Operating surplus on social housing lettings	**11,648**	**1,572**	**2,286**	**2,260**	**17,766**	21,995
Void losses	112	-	6	520	**638**	550

6. Units of housing stock

Group	Restated balance brought forward	Addition	Disposal	Transfers	Balance carried forward
	No.	No.	No.	No.	No.
General Needs Housing:					
- Social	3,999	-	(20)	-	3,979
- Affordable	283	70	-	-	353
Low cost home ownership	1,136	68	-	(26)	1,178
Supported Housing	675	-	-	-	675
Intermediate Rent	1,137	27	-	-	1,164
Total social housing units	7,230	165	(20)	(26)	7,349
Leaseholder	744	-	-	26	770
Commercial properties	68	-	-	-	68
Total owned and/or managed	8,042	165	(20)	-	8,187
Units under construction	465	60	-	-	525

Association	Restated balance brought forward	Addition	Disposal	Transfers	Balance carried forward
	No.	No.	No.	No.	No.
General Needs Housing:					
- Social	3,999	-	(20)	-	3,979
- Affordable	283	70	-	-	353
Low cost home ownership	1,136	68	-	(26)	1,178
Supported Housing	630	-	-	-	630
Intermediate Rent	1,137	27	-	-	1,164
Total social housing units	7,185	165	(20)	(26)	7,304
Leaseholder	744	-	-	26	770
Commercial properties	68	-	-	-	68
Total owned and/or managed	7,997	165	(20)	-	8,142
Units under construction	465	60	-	-	525

7. Operating surplus

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
The operating surplus is arrived at after charging:				
Depreciation of housing properties:				
- Annual charge	**8,213**	7,072	**8,160**	7,020
- Accelerated depreciation on replaced components	**1,020**	201	**1,020**	199
Depreciation of other tangible fixed assets	**563**	440	**500**	360
Operating lease charges				
- Other leases	**14**	14	**14**	14
Auditors' remuneration (excluding VAT):				
- Fees payable to the Group's auditor for the audit of the Group's annual accounts	**24**	24	**24**	36
- Fees for audit of accounts of associated entities	**33**	33	**-**	-
- Fees for tax advice	**-**	10	**-**	-
Defined contribution pension cost	**764**	764	**504**	504
Defined benefit pension cost (see note 31)	**240**	240	**-**	-

8. Employees

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Staff costs (including Executive Management Team) consist of:				
Wages and salaries	**18,052**	17,384	**7,717**	6,973
Social security costs	**1,693**	1,619	**804**	730
Cost of defined contribution scheme	**801**	764	**561**	504
Temporary agency workers	**495**	1,116	**372**	470
	21,041	20,883	**9,454**	8,677

A defined contribution pension scheme is operated by the Group on behalf of the employees of one of the subsidiary undertakings. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The pension charge represents contributions payable by the Group to the fund and amounted to £801,000 (2020: £764,000)

Contributions amounting to Nil (2020: Nil) were payable to the fund and are included in creditors.

The average number of employees (including the Executive Management team) expressed as full time equivalents (calculated based on a standard working week of 35 hours during the year) was as follows:

	Group 2021 No.	Group 2020 No.	Association 2021 No.	Association 2020 No.
Administration	**77**	79	**56**	55
Development and sales	**18**	14	**18**	14
Support and care	**459**	483	**-**	-
Housing management	**120**	114	**103**	96
	674	690	**177**	165

9. Directors' and senior executive remuneration

The Directors are defined as the members of the Board of Management, the Chief Executive and the Executive Management team. The Executive Management team are the key management personnel and are listed on page 2.

	Group 2021 £	Group 2020 £	Association 2021 £	Association 2020 £
Executive Directors' emoluments	**700,274**	703,712	**700,274**	703,712
Contributions to money purchase pension schemes	**52,057**	52,092	**52,057**	52,092
	752,331	755,804	**752,331**	755,804

The total amount payable to the Chief Executive, who was also the highest paid Director in respect of emoluments was £164,856 (2020: £159,567).

Pension contributions of £11,950 (2020: £11,716) were made to a money purchase scheme on his behalf.

As a member of the Scottish Widows defined contribution pension scheme, the pension entitlement of the Chief Executive is identical to those of other members.

There were six Directors in the Group's defined contribution pension scheme (2020: 6).

None of the Directors accrued benefits under the Group's defined benefit pension scheme during the year (2020: Nil).

The remuneration paid to staff (including the Executive Management team) earning over £60,000 upwards:

	Group 2021 No.	Group 2020 No.	**Association 2021 No.**	Association 2020 No.
£60,000 - £69,999	7	7	7	7
£70,000 - £79,999	9	7	9	7
£80,000 - £89,999	4	2	4	2
£90,000 - £99,999	1	1	1	1
£100,000 - £109,999	2	2	2	2
£110,000 - £119,999	1	1	1	1
£120,000 - £129,999	1	1	1	1
£130,000 - £139,999	-	-	-	-
£140,000 - £149,999	-	-	-	-
£150,000 - £159,999	-	1	-	1
£160,000 - £169,999	1	-	1	-

10. Board members

Board member	Remuneration	Member of:			
	£	Audit and Risk Committee	Development Committee	People and Governance Committee	Resident Services Committee
Sarah Ebanja - Chair	14,078		✓	✓	✓
Aman Dalvi - Chair	5,521		✓	✓	
Maria Grogan	5,631	✓			
Jackie Ballard - Vice Chair	11,185			✓	
Nicola Bastin	7,457	✓		✓	
Fred Angole	7,457	✓			
John Cross	7,457		✓		
Matt Campion	7,457				✓
Lloyd Gale-Ward	7,457				✓
Blossom Shakespeare	6,486				✓
Ed Ihejirika	2,948	✓	✓		

11. Surplus on disposal of fixed assets

Group	Housing properties 2021 £'000	Other fixed assets 2021 £'000	**Total 2021 £'000**	Total 2020 £'000
Housing properties:				
Disposal proceeds	12,884	15	**12,899**	10,802
Cost of disposals	(4,631)	(6)	**(4,637)**	(2,966)
Selling costs	(79)	-	**(79)**	(564)
Grant recycled	(386)	-	**(386)**	(347)
Grant abated	213	-	**213**	53
Surplus on disposal of other tangible fixed assets	8,001	9	**8,010**	6,978

Association	Housing properties 2021 £'000	Other fixed assets 2021 £'000	**Total 2021 £'000**	Total 2020 £'000
Housing properties:				
Disposal proceeds	12,884	15	**12,899**	9,902
Cost of disposals	(4,631)	(6)	**(4,637)**	(2,691)
Selling costs	(79)	-	**(79)**	(561)
Grant recycled	(386)	-	**(386)**	(307)
Grant abated	213	-	**213**	53
Surplus on disposal of other tangible fixed assets	8,001	9	**8,010**	6,396

12. Interest receivable and income from investments

	Group 2021 £'000	Group 2020 £'000	**Association 2021 £'000**	Association 2020 £'000
Interest receivable and similar income	**370**	342	**344**	963

13. Interest payable and similar charges

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Bank loans and overdrafts	**20,703**	22,248	**20,685**	22,208
Recycled capital grant fund accrued interest	**-**	46	**-**	46
Disposal proceeds fund accrued interest	**-**	-	**-**	-
Interest capitalised on construction of housing properties	**(2,559)**	(3,323)	**(2,559)**	(3,323)
	18,144	18,971	**18,126**	18,931
Other financing costs through other comprehensive income				
Movement on fair value of hedged derivative instruments	**-**	11,784	**-**	11,784
	-	11,784	**-**	11,784

14. Taxation on surplus on ordinary activities – Group only

	Group 2021 £'000	Group 2020 £'000
UK corporation tax		
Current tax on surplus for the year	**-**	-
Adjustment in respect of prior period	**-**	-
Total current tax	**-**	-
Taxation on surplus on ordinary activities	**-**	-

The tax assessed for the year differs to the standard rate of corporation tax in the UK applied to surplus before tax. The differences are explained below:

	Group 2021 £'000	Group 2020 £'000
Surplus on ordinary activities before tax	**20,514**	17,343
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 19%	**3,898**	3,295
Effects of:		
- Income not taxable for tax purposes	**-**	-
- Expenses not deductible for tax purposes	**-**	-
- Charitable exemption	**(3,898)**	(3,295)
- Adjustments to tax charge in respect of previous period	**-**	-
	-	-

There was no tax charge for the year (2020: Nil) for the Association.

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a charge of Nil (2020: Nil).

Factors that may affect future tax charges

The Group has used all brought forward tax losses, which have significantly reduced tax payments in the current year.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief.

15. Tangible fixed assets – housing properties

Group	General Needs completed	General Needs under construction	Shared Ownership completed	Shared Ownership under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation:					
At 1 April 2020	948,692	34,792	155,618	62,194	**1,201,296**
Additions:					
Construction costs	-	11,142	-	25,184	**36,326**
Works to existing properties	5,949	-	-	-	**5,949**
Reclassification of properties	(260)	-	260	-	**-**
Completed schemes	26,991	(26,991)	18,464	(18,464)	**-**
Transfers to held for sale	-	-	(6,134)	-	**(6,134)**
Completed schemes	-	-	108	-	**108**
Disposals:					
Property sales	(2,012)	-	-	-	**(2,012)**
Staircasing sales	-	-	(2,872)	-	**(2,872)**
Replaced components	(1,014)	-	-	-	**(1,014)**
At 31 March 2021	**978,346**	**18,943**	**165,444**	**68,914**	**1,231,647**
Depreciation:					
At 1 April 2020	(98,175)	-	-	-	**(98,175)**
Charge for the year	(7,765)	-	-	-	**(7,765)**
Eliminated on disposals:					
Disposal	339	-	-	-	**339**
Reclassification of properties	27	-	-	-	**27**
Housing property components	1,014	-	-	-	**1,014**
Accelerated charge on components	(1,020)	-	-	-	**(1,020)**
At 31 March 2021	(105,580)	-	-	-	(105,580)
Net book value at 31 March 2021	**872,766**	**18,943**	**165,444**	**68,914**	**1,126,067**
Net book value at 31 March 2020	850,517	34,792	155,618	62,194	**1,103,121**

15. Tangible fixed assets – housing properties (continued)

Association	General Needs completed	General Needs under construction	Shared Ownership completed	Shared Ownership under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation:					
At 1 April 2020	941,730	35,467	149,086	62,194	**1,188,477**
Additions:					
Construction costs	-	10,856	-	25,184	**36,040**
Works to existing properties	5,949	-	-	-	**5,949**
Reclassification of properties	(260)	-	260	-	**-**
Transfers to held for sale	-	-	(6,134)	-	**(6,134)**
Completed schemes	26,991	(26,991)	18,464	(18,464)	**-**
Lease buyback	-	-	108	-	**108**
Disposals:					
Property sales	(2,012)	-	-	-	**(2,012)**
Staircasing sales	-	-	(2,872)	-	**(2,872)**
Replaced components	(1,014)	-	-	-	**(1,014)**
At 31 March 2021	**971,384**	**19,332**	**158,912**	**68,914**	**1,218,542**
Depreciation:					
At 1 April 2020	(97,305)	-	-	-	**(97,305)**
Charge for the year	(7,705)	-	-	-	**(7,705)**
Eliminated on disposals:					
Disposal	339	-	-	-	**339**
Reclassification of property	27	-	-	-	**27**
Housing property components	1,014	-	-	-	**1,014**
Accelerated charge on components	(1,020)	-	-	-	**(1,020)**
At 31 March 2021	(104,650)	-	-	-	**(104,650)**
Net book value at 31 March 2021	**866,734**	**19,332**	**158,912**	**68,914**	**1,113,892**
Net book value at 31 March 2020	844,425	35,467	149,086	62,194	**1,091,172**

15. Tangible fixed assets – housing properties (continued)

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
The net book value of housing properties may be further analysed as:				
Freehold	**778,277**	771,877	**769,499**	763,325
Long leasehold	**347,349**	330,803	**343,952**	327,406
Short leasehold	**441**	441	**441**	441
	1,126,067	1,103,121	**1,113,892**	1,091,172
Interest capitalisation				
Interest capitalised in the year	**2,559**	3,323	**2,559**	3,323
Cumulative interest capitalised	**46,447**	43,124	**46,447**	43,124
	49,006	46,447	**49,006**	46,447
Rate used for capitalisation	**3.40%**	3.56%	**3.40%**	3.56%
Works to properties				
Improvements to existing properties capitalised	**6,033**	7,184	**5,949**	7,100
Major repairs expenditure to income and expenditure account	**591**	215	**591**	215
	6,624	7,399	**6,540**	7,315
Total Social Housing Grant received or receivable to date is as follows:				
Capital grant – housing properties	**424,437**	420,660	**418,172**	414,337
Recycled Capital Grant Fund	**7,361**	7,118	**7,104**	6,784
Disposals Proceeds Fund	**-**	-	**-**	-
Revenue grant – I&E	**78,331**	74,551	**77,080**	73,359
	510,129	502,329	**502,356**	494,480

Properties held for security

The Association had property with a net book value of £915m pledged as security at 31 March 2021 (2020: £814m).

16. Other tangible fixed assets

Group	Land and office buildings	Plant, machinery and vehicles	Motor vehicles	Fixtures, fittings, tools and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2020	8,767	5,350	121	1,751	15,989
Additions	-	477	25	122	624
Reclassification in the year	(457)	-	-	-	(457)
Revaluation in the year	77	-	-	-	77
Disposals	-	-	(23)	(102)	(125)
At 31 March 2021	**8,387**	**5,827**	**123**	**1,771**	**16,108**
Depreciation					
At 1 April 2020	(833)	(3,659)	(106)	(1,657)	(6,255)
Reclassification in the year	27	-	-	-	27
Revaluation in the year	(7)	-	-	-	(7)
Charge for year	(74)	(365)	(3)	(121)	(563)
Disposals	-	-	5	102	107
At 31 March 2021	**(887)**	**(4,024)**	**(104)**	**(1,676)**	**(6,691)**
Net book value					
At 31 March 2021	**7,500**	**1,803**	**19**	**95**	**9,417**
At 31 March 2020	7,934	1,691	15	94	9,734

Association	Land and office buildings	Plant, machinery and vehicles	Motor vehicles	Fixtures, fittings, tools and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2020	8,694	3,638	48	1,321	13,701
Additions	-	477	25	69	571
Disposals	-	-	(23)	-	(23)
At 31 March 2021	**8,694**	**4,115**	**50**	**1,390**	**14,249**
Depreciation					
At 1 April 2020	(777)	(2,695)	(36)	(1,288)	(4,796)
Charge for year	(70)	(365)	0	(65)	(500)
Disposals	-	-	5	-	5
At 31 March 2021	**(847)**	**(3,060)**	**(31)**	**(1,353)**	**(5,291)**
Net book value					
At 31 March 2021	**7,847**	**1,055**	**19**	**37**	**8,958**
At 31 March 2020	7,917	943	12	33	8,905

16. Other tangible fixed assets (continued)

The net book value of office buildings may be further analysed as:

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Freehold	**7,500**	7,934	**7,847**	7,917

17. Investment properties

Group	Commercial £'000	Total £'000
At 1 April 2020	1,990	1,990
Additions	9	9
Reclassification during the year	465	465
Revaluations	438	438
At 31 March 2021	**2,902**	**2,902**

All investment properties are held within Outward Housing. The freehold Nutley Edge holiday accommodation, comprising Nutley Edge in East Sussex was valued as at 31 March 2021 at £1,950k, on an open market basis, as set out in a side letter dated 4 May 2021 by an external firm Avison Young (UK) Ltd, Leisure Division. Avison Young are RICS accredited valuers and undertook the valuation in accordance with the RICS Global Standards – 31 January 2020. The services of Avison Young were procured in accordance with the Charity's procurement procedures and the Trustees are satisfied of the independence of Avison Young.

The property was valued as a specialised property used for leisure purposes and the method of valuation gave weighting to stabilised earnings, based on historic turnover and potential future turnover at a capitalisation rate of 10.5% and to comparable local sales and properties offered for sale, in particular holiday complexes. Consideration was given to the current COVID-19 pandemic and resultant 'lockdown' of UK businesses which is affecting the property market.

It was assumed the property has good title and is free from onerous or restrictive covenants and obligations, restrictions and statutory notices and was described as being in excellent condition and not subject to backlog maintenance.

The surplus on revaluation of investment property arising of £507,000 (2020: Loss £166,000) has been credited to the statement of comprehensive income for the year.

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

	Group 2021 £'000	Group 2020 £'000
Historic cost	**1,882**	1,882
Accumulated depreciation	**(560)**	(598)
	1,322	1,284

18. Investments

Details of subsidiary undertakings and associated undertakings

The principal undertakings in which the Association has an interest in are as follows:

Name	Country of incorporation or registration	Proportion of voting rights/ ordinary share capital held	Nature of business	Nature of entity
Subsidiary undertakings				
Outward Housing	England	100%	Provision of community support services	Registered charity
Access Homes Housing Association Limited	England	100%	Registered provider of social housing	Registered provider of social housing
NewlonBuild Limited	England	100%	Development company	Limited company
Newlon Fusion	England	100%	Community services	Registered charity
NewlonInvest Limited	England	100%	Joint venture and private sales	Limited company
Finsbury Park Homeless Families Project (FPHFP)*	England	100%	Community services for homeless persons	Registered charity

* FPHFP is a subsidiary of Outward Housing, all other subsidiaries are 100% wholly owned by the parent, being Newlon Housing Trust.

19 Joint ventures

The Newlon Group entered into a joint venture DR4 Developments LLP ('DR4') with Galliford Try ('GT') in June 2017 in respect of the development of a site at Devon's Road, Bow. The development consists of new residential units (6 for shared ownership and 124 for open market sale) and commercial/retail units. Newlon Group subsidiary, NewlonBuild Limited is the joint venture partner in DR4 and Newlon's funding is through NewlonInvest Limited. The funding at 31 March 2021 was nil (2019/20: £7.9m) as the project was largely completed in the year with all but four units remaining unsold by the end of the year.

All development costs/profits of the LLP will be split 50:50 between the LLP members.

Group	Joint ventures	
	2021	2020
	£'000	£'000
Cost		
At 1 April	-	148
Additions	-	7
Share of loss	2,736	(155)
At 31 March	2,736	-

Details of subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the company has an interest in are as follows:

Name	Country of incorporation or registration	Proportion of voting rights/ ordinary share capital held	Nature of business	Nature of entity
Joint ventures				
DR4 Developments LLP*	England	50%	Development company	Limited Liability Partnership

* DR4 is a joint venture held by NewlonBuild Ltd,, a subsidiary of Newlon Housing Trust.

20. Properties for sale

Group and Association	First tranche Shared Ownership properties 2021 £'000	Total 2021 £'000	Total 2020 £'000
Work in progress	34,427	34,427	27,878
Completed properties	3,618	3,618	9,232
	38,045	38,045	37,110

Properties developed for sale include capitalised interest of £1,485,477 (2020: £1,818,338).

21. Debtors

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Due within one year				
Rent and service charge arrears	2,055	2,341	1,407	1,892
Less: Provision for doubtful debts	(1,249)	(852)	(1,126)	(786)
	806	1,489	281	1,106
Amounts owed by Group undertakings	-	-	841	21,790
Other debtors	14,482	6,876	12,310	5,591
Prepayments and accrued income	2,051	1,899	1,549	1,672
Taxation	-	-	-	-
	17,339	10,264	14,981	30,159
Due after one year				
Other debtors	-	20,431	-	-
	17,339	30,695	14,981	30,159

22. Current asset investments

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Opening fair value	30	30	30	30
Purchases	-	-	-	-
Sales	-	-	-	-
Fair value	**30**	30	**30**	30

All current asset investments relate to equity investments in MORhomes, a social housing sector borrowing vehicle.

23. Creditors: amounts falling due within one year

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Loans and borrowings (note 27)	3,123	2,764	3,010	2,651
Trade creditors	4,226	4,121	2,864	2,849
Rent and service charges received in advance	1,693	1,741	1,267	1,384
Amounts owed to Group undertakings	-	-	2,316	6,355
Taxation and social security	60	26	60	26
Other creditors	4,819	5,408	4,358	5,036
Deferred capital grant (note 25)	3,780	3,384	3,721	3,323
Recycled Capital Grant Fund (note 26)	3,510	1,841	3,437	1,764
Accruals and deferred income	14,246	12,370	9,437	6,449
Accrued interest	5,819	5,808	5,819	5,808
Leasehold maintenance	1,531	1,891	1,531	1,891
	42,807	39,354	37,820	37,536

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

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Loans and borrowings (note 27)	572,765	575,898	569,941	572,964
Deferred capital grant (note 25)	420,656	417,276	414,451	411,013
Recycled Capital Grant Fund (note 26)	3,850	5,277	3,667	5,020
Pension scheme deficit liability	706	317	-	-
Service charge creditors	208	517	-	-
	998,185	999,285	988,059	988,997

Housing loans from banks, bondholders and other private lenders are secured by specific charges on the Association's housing properties. The loans are at differing fixed and variable rates of interest between 0.70% and 10.7% per annum. The loans are repayable over their life as set out in note 27.

25. Deferred capital grant

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
At 1 April	420,660	424,061	414,337	417,535
Grants received during the year	7,625	762	7,625	762
Grants recycled from the recycled capital grant fund/disposal proceeds fund	1,858	630	1,858	630
Grants recycled to the recycled capital grant fund/disposal proceeds fund	(1,714)	(1,356)	(1,714)	(1,215)
Released to income during the year	(213)	(53)	(213)	(53)
Grant amortised during the year	(3,780)	(3,384)	(3,721)	(3,323)
At 31 March	424,436	420,660	418,172	414,336

Deferred capital grant	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Due within one year (note 23)	3,780	3,384	3,721	3,323
Due in more than one year (note 24)	420,656	417,276	414,451	411,013
At 31 March	424,436	420,660	418,172	414,336

26. Recycled Capital Grant Fund

Group	**Homes England 2021**	Homes England 2020
Funds pertaining to activities within areas covered by:	**£'000**	£'000
At 1 April	**7,118**	5,999
Inputs to fund:		
Grants recycled from surplus on disposal of fixed asset	**-**	41
Grants recycled from deferred capital grants	**2,101**	1,662
Grants paid back	**-**	-
Interest accrued	**-**	46
Recycling of grant:		
New build	**(1,858)**	(630)
At 31 March	7,361	7,118

Association	**Homes England 2021**	Homes England 2020
Funds pertaining to activities within areas covered by:	**£'000**	£'000
At 1 April	**6,784**	5,830
Inputs to fund:		
Grants recycled from surplus on disposal of fixed asset	**-**	-
Grants recycled from deferred capital grants	**2,101**	1,521
Grants paid back	**-**	-
Interest accrued	**-**	45
Transfers from other Group members	**77**	18
Recycling of grant:		
New build	**(1,858)**	(630)
At 31 March	7,104	6,784

Withdrawals from the recycled capital grant fund were used for the purchase and development of new housing schemes for letting and for approved works to existing properties.

Recycled capital grant fund	**Group 2021**	Group 2020	**Association 2021**	Association 2020
	£'000	£'000	**£'000**	£'000
Due within one year (note 23)	**3,511**	1,841	**3,437**	1,764
Due in more than one year (note 24)	**3,850**	5,277	**3,667**	5,020
At 31 March	7,361	7,118	7,104	6,784

27. Loans and borrowings

Maturity of debt:

Group	Bank loans 2021 Bullet	Bank loans 2021 Amortising	Other loans 2021 Bullet	Total 2021
	£'000	£'000	£'000	£'000
In one year or less, or on demand	-	3,123	-	3,123
In more than one year but not more than two years	-	3,562	-	3,562
In more than two years but not more than five years	2,000	13,993	-	15,993
In five years or more	20,000	298,210	235,000	553,210
At 31 March	22,000	318,888	235,000	575,888

Group	Bank loans 2020 Bullet	Bank loans 2020 Amortising	Other loans 2020 Bullet	Total 2020
	£'000	£'000	£'000	£'000
In one year or less, or on demand	-	2,764	-	2,764
In more than one year but not more than two years	-	3,428	-	3,428
In more than two years but not more than five years	2,000	12,323	-	14,323
In five years or more	20,000	303,148	235,000	558,148
At 31 March	22,000	321,663	235,000	578,663

Association	Bank loans 2021 Bullet	Bank loans 2021 Amortising	Other loans 2021 Bullet	Total 2021
	£'000	£'000	£'000	£'000
In one year or less, or on demand	-	3,010	-	3,010
In more than one year but not more than two years	-	3,430	-	3,430
In more than two years but not more than five years	2,000	13,560	-	15,560
In five years or more	20,000	295,951	235,000	550,951
At 31 March	22,000	315,951	235,000	572,951

Association	Bank loans 2020 Bullet	Bank loans 2020 Amortising	Other loans 2020 Bullet	Total 2020
	£'000	£'000	£'000	£'000
In one year or less, or on demand	-	2,651	-	2,651
In more than one year but not more than two years	-	3,315	-	3,315
In more than two years but not more than five years	2,000	11,908	-	13,908
In five years or more	20,000	300,741	235,000	555,741
At 31 March	22,000	318,615	235,000	575,615

Housing loans from banks, bondholders and other private lenders are secured by specific charges on the Association's housing properties.

The loans are at different fixed and variable rates of interest between 0.70% and 10.70% per annum. At 31 March 2021 the Group had undrawn facilities of £117m (2020: £119m).

Total issue cost included in the loan books was £2,758k for 2021 (2020: £3,054k).

28. Financial instruments

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

	Group 2021 £'000	Group 2020 £'000	**Association 2021 £'000**	Association 2020 £'000
Financial assets				
Financial assets measured at fair value				
Investment properties	**2,902**	1,990	**-**	-
Financial assets measured at historical cost				
Rental debtors	**2,055**	2,341	**1,407**	1,892
Other receivables	**14,482**	6,876	**12,310**	5,591
Prepayments and accrued income	**2,051**	1,899	**1,549**	1,672
Taxation	**-**	-	**-**	-
Cash and cash equivalents	**52,994**	41,300	**42,424**	32,391
Total financial assets	**74,484**	54,406	**57,690**	41,546
Financial liabilities				
Financial liabilities held at fair value				
Loans payable	**-**	-	**-**	-
Financial liabilities held at amortised cost				
Loans payable	**575,888**	567,444	**575,615**	575,615
Financial liabilities held at historical cost				
Trade creditors	**4,105**	4,121	**2,500**	2,849
Other creditors	**35,632**	34,362	**29,060**	33,733
Deferred capital grant	**424,437**	420,660	**408,317**	414,336
Total financial liabilities	**1,040,062**	1,037,806	**1,015,492**	1,026,533

Financial assets measured at fair value through profit or loss comprises fixed asset investments in properties owned by Outward, namely Nutley Edge Cottages and Wood Street market rented properties.

Financial assets measured at historic cost comprise rental debtors and other debtors.

Financial liabilities measured at historic cost comprise trade creditors and other creditors.

Financial liabilities measured at amortised cost include bank loans.

To reduce volatility in interest costs the Group selectively contracted interest rate swaps in loan agreements where floating rate Libor on loans was exchanged for fixed rates of between 4.2% and 5.4% per annum. The Group also entered into inflation swaps embedded in certain loan agreements where interest rates are linked to RPI instead of Libor to match RPI related rental income to interest costs. Under FRS 102 these are classed as 'non basic' financial instruments and accounted for at fair value.

The cash flows arising from the interest rate swaps will continue until their various maturities' dates between 2021 and 2035 which do not extend beyond the maturity dates of the underlying loans.

29. Provisions for liabilities

Group and Association	Dilapidations	Major repairs on stock transfer	Total
	£'000	£'000	£'000
At 1 April 2020	7	-	7
Utilised in year	-	-	-
At 31 March 2021	**7**	**-**	**7**

As at 31 March 2021, there are ongoing works to an existing property. Remedial works and associated professional fees will be incurred as a result. It is expected that the provision will unwind within the next 12 months.

The major works provision relates to costs associated with a constructive obligation that existed at the balance sheet date in respect of essential rectification scheme works approved by the Board.

30. Pensions

Outward Housing participates in the multi-employer Social Housing Pension Scheme and also makes available a defined contribution scheme, through Scottish Widows, to its staff. Employer contributions match those of the employee and are in the range of 5% to 7%.

Those staff who are not otherwise members of a pension scheme are enrolled automatically into a defined contribution scheme also offered by the Social Housing Pension Scheme. Employer and employee contributions are currently set at 1%.

There is a group of staff who have transferred in to Outward Housing under TUPE regulations and remain members of local government and other pension schemes.

Multi-employer Social Housing Pension Scheme (the Scheme)

Outward Housing participates in the Social Housing Pension Scheme ('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.

The last triennial valuation of the Scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1.522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

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.

Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)

	31 March 2021	31 March 2020
	£'000	£'000
Fair value of plan assets	3,431	3,601
Issued during the year	(4,258)	(4,037)
Surplus (deficit) in plan	(827)	(436)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(827)	(436)

Reconciliation of the opening and closing balances of the defined benefit obligation

	Period ended 31 March 2021	Period ended 31 March 2020
		£'000
Defined benefit obligation at start of period	4,037	4,610
Current service cost	-	-
Expenses	6	6
Interest expense	95	106
Actuarial losses/(gains) due to scheme experience	(584)	(52)
Actuarial losses/(gains) due to changes in demographic assumptions	15	(39)
Actuarial losses/(gains) due to changes in financial assumptions	765	(521)
Benefits paid and expenses	(76)	(73)
Defined benefit obligation at end of period	4,258	4,037

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

	Period ended 31 March 2021	Period ended 31 March 2020
	£'000	£'000
Fair value of plan assets at start of period	3,601	3,435
Interest income	86	80
Experience on plan assets (excluding amounts included in interest income) – gain	(304)	41
Contributions by the employer	124	118
Benefits paid and expenses	(76)	(73)
Fair value of plan assets at end of period	3,431	3,601

Defined benefit costs recognised in the statement of comprehensive income (SOCI)

	Period ended 31 March 2021	Period ended 31 March 2020
	£'000	
Expenses	6	6
Net interest expense	9	26
Defined benefit costs recognised in the statement of comprehensive income (SOCI)	15	32

Defined benefit costs recognised in other comprehensive income

	Period ended 31 March 2021	Period ended 31 March 2020
	£'000	£'000
Experience on plan assets (excluding amounts included in interest income) - gain/(loss)	(304)	41
Experience gains and losses arising on the plan liabilities - gain/(loss)	584	52
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain/(loss)	(15)	39
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain/(loss)	(765)	521
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain/(loss)	(500)	653
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain/(loss)	-	-
Total amount recognised in other comprehensive income - gain/(loss)	(500)	653

Assets

	31 March 2021 £'000	31 March 2020 £'000
Global equity	**547**	527
Absolute return	**189**	188
Distressed opportunities	**99**	69
Credit relative value	**108**	99
Alternative risk premia	**129**	252
Fund of hedge funds	**-**	2
Emerging markets debt	**139**	109
Risk sharing	**125**	122
Insurance-linked securities	**82**	111
Property	**71**	79
Infrastructure	**229**	268
Private debt	**82**	73
High yield	**103**	-
Opportunistic Illiquid credit	**94**	87
Corporate bond fund	**203**	205
Liquid credit	**41**	1
Long lease property	**67**	62
Secured income	**143**	137
Opportunistic illiquid credit	**87**	-
Liability driven investment	**872**	1,195
Net current assets	**21**	15
Total assets	3,431	3,601

Key assumptions

	31 March 2021 % per annum	31 March 2020 % per annum
Discount rate	**2.18**	2.38
Inflation (RPI)	**3.27**	2.62
Inflation (CPI)	**2.87**	1.62
Salary growth	**3.87**	2.62
Allowance for commutation of pension for cash at retirement	**75% of maximum allowance**	75% of maximum allowance

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (years)
	No.
Male retiring in 2021	21.6
Female retiring in 2021	23.5
Male retiring in 2041	22.9
Female retiring in 2041	25.1

Change in fair value of defined benefit pension schemes charged to the statement of comprehensive income.

	31 March 2021	31 March 2020
	£'000	£'000
At 1 April	436	1,174
Change in fair value	(495)	(770)
Interest cost and expense	32	32
At 31 March	(27)	436

Scottish Widows defined contribution scheme – Newlon Housing Trust

During the year employer pension contributions of £561k (2020: £504k) were charged to income and expenditure and at 31 March 2021 177 staff (2020: 181 staff) were in the scheme.

Social Housing Pension Scheme defined contribution (auto-enrolment) – Outward Housing only

During the year employer pension contributions of £243k (2020: £240k) were charged to income and expenditure and at 31 March 2021 380 staff (2020: 394 staff) were in the scheme.

Local government and other schemes – Outward Housing only

During the year employer pension contributions of £26,233 (2020: £24,002) were charged to income and expenditure and at 31 March 2021 1 staff (2020: 4 staff) were in the scheme.

31. Share capital

	2021	2020
	£	£
At 1 April	30	30
Issued during the year	-	-
As at 31 March	30	30

The share capital of the Association consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When a shareholder ceases to be a member, that share is cancelled and the amount paid thereon becomes the property of the Association. Therefore, all shareholdings relate to non-equity interests.

32. Contingent liabilities

The Association has not guaranteed any bank borrowings of its subsidiaries.

As the timing of any future disposal is uncertain, no provision has been recognised in these financial statements.

The Group has disclosed contingent liabilities where there is a possible but uncertain obligation to repay Social Housing Grant in the future.

Actual payment is contingent upon future disposal of housing properties for which the grant was received.

	Group 2021 £'000	Group 2020 £'000	**Association 2021 £'000**	Association 2020 £'000
Grant amortised	**78,252**	74,497	**77.080**	73,359

33. Operating leases

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

Amounts payable as lessee	**Group 2021 £'000**	Group 2020 £'000	**Association 2021 £'000**	Association 2020 £'000
Not later than one year	**2**	10	**2**	10
Later than one year and not later than five years	**2**	4	**2**	4
Total	**4**	14	**4**	14

The operating leases above are for photocopying and vending machines. There are no other significant leasing arrangements with third parties.

Amounts to be received as lessor:

The Group's total future minimum lease receipts under non-cancellable operating leases is as follows for each of the following periods:

	Group 2021 £'000	Group 2020 £'000	**Association 2021 £'000**	Association 2020 £'000
Less than one year	**62,681**	60,832	**58,436**	56,505

The above details the amounts to be received from the Association's tenants of all tenure types within the next year.

34. Capital commitments

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Commitments contracted but not provided for:				
Construction	**56,860**	76,965	**56,566**	76,872
Commitments approved by the Board but not contracted for:				
Construction	**123,790**	49,323	**125,028**	49,816
	180,650	126,288	**181,594**	126,688

All capital commitments will be financed by Social Housing Grant, private loans and internally generated funds. Newlon currently has secured loan facilities of £693m in place. At 31 March 2021 Newlon had undrawn facilities totalling £117m. In addition the Association has over £51m of cash resources. Therefore sufficient funds are available to finance the contracted commitments stated above.

35. Related party transactions

The Board of Newlon Housing Trust includes tenant representation. Transactions between these individuals and Newlon Housing Trust are in accordance with the Association's normal terms.

We have two Resident Board members – Blossom Shakespeare and Lloyd Gale-Ward. The total rent charged during the year and balance on their accounts at year end are as follows:

Board Member	Total rent charged £	Account balance at year end Debit/(credit) £
Blossom Shakespeare	6,062	7
Lloyd Gale-Ward	5,196	-

Intercompany sales between NewlonBuild and Newlon Housing Trust were £37m (2020: £41m).

The interest charges between Newlon Housing Trust and NewlonInvest were £323k (2020: £653k) and between DR4 and NewlonInvest were £376k (2020: £745k).

Transactions with non regulated entities

Payable to Association by subsidiaries:	Service level agreements		Other charges		Intercompany balance	
	2021	2020	**2021**	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Outward Housing	**535**	493	**4,631**	2,334	**40**	72
Newlon Fusion	**-**	-	**4**	-	**-**	-
Access Homes	**135**	67	**-**	-	**-**	-
NewlonBuild Limited	**188**	102	**19**	(14)	**2,316**	6,355
NewlonInvest Limited	**26**	26	**-**	-	**23**	20,534
	884	688	**4,654**	2,320	**2,379**	26,961

Payable to Association by subsidiaries:	Donated services		Loans		Joint venture	
	2021	2020	**2021**	2020	**2021**	2020
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Newlon Fusion	**2**	2	**-**	-	**-**	-
NewlonBuild Limited	**-**	-	**-**	156	**-**	-
NewlonInvest Limited	**-**	-	**-**	20,432	**-**	-
DR4 – Joint venture	**-**	-	**-**	-	**23**	20,559
	2	2	**-**	20,588	**23**	20,559

Service level agreements

The service level agreement relates to a percentage of payroll costs associated with each subsidiary as well as a percentage recharge of attributable overheads.

Department	By reference to
Finance	Headcount
IT	Workstation
Facilities	Workstation
Executive	Staff time

Other charges

Outward: Other charges related to the rent and properties owned by the Association but managed by Outward Housing.

Newlon Fusion: Other charges relates to funding paid by the Association to further Newlon Fusion community development work.

NewlonBuild: NewlonBuild applies margins ranging from 1% to 5% on sales made to the Association.

Gift Aid

The Association received a total of £3,505k (2020: £1,409k) in gift aid from subsidiaries.

Payable to Association by subsidiaries	Gift Aid	
	2021	2020
	£'000	£'000
Access Homes	**586**	955
NewlonBuild Limited	**2,896**	393
NewlonInvest Limited	**23**	61
	3,505	1,409

36. Capital and reserves

Total revaluation surplus of £507k were recognised on property investments across Nutley Edge Holiday Cottages and Cedar Court, valued at £2.9m, on an open market basis by an independent third party valuer.

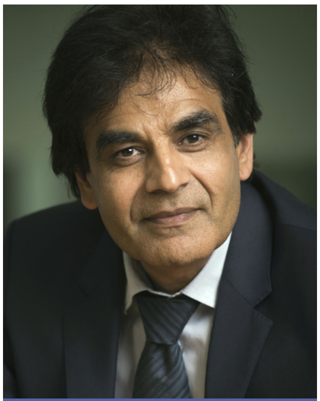
37. Post balance sheet event

There are no post balance sheet events.

Executive Team serving during the year

Mike Hinch

Group Chief Executive



Surjit Dhande

Group Finance and Resources Director

Peter Little

Group Director Supported Housing and Care

Ezinne Ogbonna

Business Development Director

William Henderson

Housing Services Director

Symon Sentain

Acting Property Services Director

Mark Newstead

Property Services Director

Board members serving during the year

Aman Dalvi
Chair

Sarah Ebanja
Chair

Jackie Ballard
Vice Chair

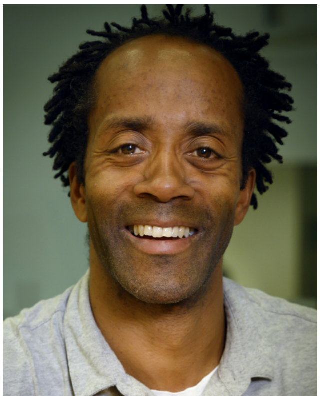
Mike Hinch

Fred Angole

Nicola Bastin

Matt Campion

John Cross



Lloyd Gale-Ward

Maria Grogan

Blossom Shakespeare

Edward Ihejirika

Newlon House – 4 Daneland Walk – Hale Village – London – N17 9FE
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E: customerservice@newlon.org.uk
www.newlon.org.uk

Newlon Housing Trust is a charitable housing association

Group Chief Executive: Mike Hinch   Chair: Aman Dalvi OBE

Newlon Housing Trust is a Community Benefit Society – company no. 18449R, registered with the Regulator of Social Housing no. LOOO6, HMRC charities reference no. EW91301, VAT registration no. GB778532683.

Access Homes is a Community Benefit Society – company no. 24992R, registered with the Regulator of Social Housing SL3605

Outward Housing, trading as Outward, is a company limited by guarantee – company no. 02151434, registered charity no. 800529.

Finsbury Park Homeless Families Project is a company limited by guarantee – company no. 2879813, registered charity no. 1030970.

Newlon Fusion is a company limited by guarantee – company no. 04000022, registered charity no. 1119673.

NewlonBuild Ltd is a private limited company no. 07884092.

NewlonInvest Ltd is a private limited company no. 09492006.

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