



FINANCIAL STATEMENTS

Year ended 31 March 2020



CONTENTS

Board, Executive Directors and Advisors	4
Chair and Chief Executive's Report	5
Impact of COVID-19 and our approach to these financial statements	7
Year in Review	9
About RHP	10
Strategic and Financial Report	12
Value for Money	23
Board report	
▶ Board Members	34
▶ Corporate Governance and Board Committees	36
▶ Risk Management Framework	40
▶ Statement of the Responsibilities of the Board	44
Independent Auditor's Report to the members of RHP Limited	46
Statement of Comprehensive Income	54
Statement of Financial Position	55
Statement of Changes in Reserves	56
Consolidated Statement of Cash Flows	57
Notes to the Financial Statements	58-98

BOARD, EXECUTIVE DIRECTORS AND ADVISORS

Charitable Registered Society number	30939R
Regulator of Social Housing registration number	L4279
Registered Office	8 Waldegrave Road, Teddington, Middlesex, TW11 8GT
Board	Shannel Adams - resigned 24 January 2020 Suzanne Avery Angelika Chaffey - resigned 18 July 2019 David Done OBE Jane Gallifent - appointed 18 July 2019 Jenine Langrish Christopher Ling Peter Marsh - resigned 18 July 2019 John Newbury (Chair) Toby D'Olier Stephen Speak Nigel Taylor (Senior Independent Director) Sarah Weller - appointed 18 July 2019
Chief Executive	David Done OBE
Secretary	Lucy Grale
Executive Directors	Corinna Bishopp (Executive Director of Finance) Peter Cogan (Executive Director of Customer Services) Lucy Grale (Executive Director of People and Business Services) Tim Willcocks (Executive Director of Development)
Auditors	BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 OPA
Legal Status	The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing (RSH) as a housing provider.

CHAIR AND CHIEF EXECUTIVE'S REPORT



Since the outbreak of COVID-19, we find ourselves in unprecedented times. At the time of writing, the world is still struggling to come to terms with the global impact this pandemic has had on people's lives, families, communities and the economy. In these uncertain times we hope you and your families stay well.

We are very proud of the work we have done as an organisation both during the year and also in response to the outbreak of the worldwide pandemic and are focusing on ensuring we look after our customers, our employees and our financial strength. Our long term strategy as an organisation to build an excellent culture within RHP, ensure we are financially strong and become one of the best service providers in the UK by transforming our approach to housing has meant that we have been in an exceptional position to deal with the challenges of the pandemic for the business and our customers.

We are pleased to present a strong set of financial results for the year ended 31 March 2020. We also detail the approach we have taken as an organisation to deal with the difficult situation brought about by COVID-19 and our views on the future.

Review of the year

We are pleased to report another strong year of financial performance, which, despite this being the 4th and final year of the 1% rent reduction, has seen our operating surplus improve by £1.5m.

During the year we restructured our funding, repaying our Dexia loan facility, selling our retained bond and completing on further revolving credit facilities, significantly reducing our cost of funding.

We delivered 116 new affordable homes at a cost of £24.2m for our local community and have 490 in the pipeline. We continue our focus on solely affordable housing programmes and low cost home ownership and therefore limit our exposure to the impact of market fluctuations.

During the year we invested £17.7m in maintaining and improving our existing homes. This included £2.4m on roof replacements and £2.1m on internal refurbishment work including new kitchens, bathrooms and modernising heating systems.

Our investment programme includes significant focus on health and safety programmes and in the year we fitted a further 74 new fire doors, completed 311 fire risk assessments and 6,522 gas safety checks. We are progressing with our sprinkler fitting programme in our proactive response to the tragic events of Grenfell Tower. Ensuring the safety of our customers is our first priority and are pleased to have received 5 stars in our review by the British Safety Council and to be the first Housing Association to successfully transfer from PAS7 to BS9997 in our accreditation of our fire safety management system.

Following our strengthening of our leadership team, our staff satisfaction levels remain high and we are excited to report a Glassdoor rating of 4.8.

We continued our work on improving the customer journey for all of our customers and improving their digital experience. Our ambitious programme of digital transformation has been challenging to achieve this year and we had delays in our proposed programme. We did however achieve an improvement in the number of customers accessing our services digitally compared to the previous year. Additionally, we saw a dip in our customer satisfaction during the year. We reacted quickly to this and invested in more expertise in our customer service and homeowner teams with our tenant satisfaction score recovering to 83%.

As a result of this investment, our Trustpilot score at the time of writing is at a record high of 4.2.

Response to COVID-19

Our focus from the outset of the pandemic was centred around keeping our customers, employees and finances safe.

In order to ensure we kept our customers safe, we have maintained an emergency repairs service throughout the pandemic and maintained caretaking services to ensure our estates are clean and tidy. We have continued our focus on health and safety checks to keep our customers safe in the homes they have been confined in. Whilst we initially put a number of our larger projects on hold, we are pleased to report that our development work continues and major works programmes have now re-started.

In order to ensure we kept our employees safe, at the beginning of the lockdown we were able to mobilise home working within 24 hours, (including all of our customer contact teams) greatly facilitated by the work we've been doing over the past 12 months to enable greater flexibility in how people work.

Despite remote working, we have maintained an excellent level of engagement across all teams and although there have been some roles where employees have had less to do, we have re-deployed those people into other areas of the business to manage increased workload. As result of our lean and agile organisation, we have not had to Furlough any employees. We believed this was an important approach to ensure we could get our organisation back up to full capacity quickly after lockdown, with strong levels of employee engagement and motivation.

We remain financially strong and have been working hard to ensure we support our customers to navigate their financial difficulties as a result of the recent economic circumstances. Although we have seen substantially greater numbers of customers access government support since the beginning of the outbreak, our rent collection has remained strong and to date we have seen less than a 2% reduction in rental income collection levels. This means we can continue to maintain homes to an exceptional standard.

Strategy

We are using the learnings from this vast shift in working arrangements and economic circumstances as a great opportunity to reinvent our organisation and accelerate the work we had already started. We do not believe that going back to old ways of working is right for us or the housing sector and are determined to use this as a positive opportunity to increase our innovative approach and accelerate our digital journey.

We still believe our four key strategic pillars are of critical importance: Maintaining financial strength, ensuring we're an inspiring place to work, being a leading provider of on-line housing services that deliver exceptional customer experience and providing new homes.

Our financial results as detailed in this report show our year to 31 March 2020 performance, but also detail our longer term positive outlook. We are confident about our business as a going concern and our future financial and organisational strength, however are cautious in our modelling of the future to ensure we are continually stress testing our business as economic and business circumstances change, in order to keep our organisation safe.

We would like to thank all our customers, employees and partners for their agility, resilience and support in these incredibly tough times.



John Newbury
Group Chair



David Done OBE
Group Chief Executive

IMPACT OF COVID-19 AND OUR APPROACH TO THESE FINANCIAL STATEMENTS

Given this current exceptional situation, there is no precedent set as to how to present our annual accounts. We believe it is still important to present our year end results in full, including reporting against value for money and regulatory requirements in order for our stakeholders to get a comprehensive view of our organisation. However we have also provided additional commentary throughout on specific COVID-19 related impacts on our financials and other areas of our business.

As the impact on the UK and the world as a result of COVID-19 evolves and uncertainty in the economy continues, we have three main priorities: keeping our employees and customers safe; maintaining essential services for customers; and keeping RHP stable and secure so that when we eventually emerge from this period we do so as a strong and resilient business.

There are particular challenges in management of our operations, not least close and active management of our employees and level of resource in managing our caretaking, retirement living schemes, customer contact teams and rent management resources. Whilst we don't have any confirmed cases of the virus within our workforce, we are ensuring any of our more vulnerable employees are self-isolating. We are lucky to have a great culture in the organisation which is enabling agility of employees to do different work if required. We have been maintaining employees on full pay (whether off sick or juggling home schooling) as we believe retaining the goodwill of our people will be vital in order to recover successfully from this situation. Our technology is sufficiently advanced to have enabled all employees to homework as soon as this was required by the government and all office-based employees are fully able to complete their work at home. We currently have sufficient resource in place to manage the services we are offering and are redeploying employees where necessary to ensure everyone is usefully employed. We are not anticipating needing to make any redundancies.

We continue to focus on the health and safety of our customers, ensuring all emergency repairs are being completed and health and safety activity continues including gas safety checks, fire safety and vital lift operations. Although there have been activities, particularly a small number of gas safety checks, we have not been able undertake due to access issues, we are monitoring these activities closely and risk assessing each situation.

We have proactively reassured our customers (before the government guidance) that no one will lose their homes as a result of financial difficulties. We have adapted our approach in our rents team to support the increase in Universal Credit claims and to adopt an empathetic position, with the view to agree payment plans with customers when they return to financial stability.

We are continually stress testing our business plan to understand the impact on our financial health as the financial consequences become clearer. Although it is too early at this stage to say with confidence what the long term impact on our rental income and costs will be, we are clear on the risk management and mitigating actions we need to take as an organisation. This includes monitoring of all the data available on rents receipts, decision making around discretionary spend and development and re-modelling potential inflationary concerns as a result of this epidemic to ensure we remain within our financial covenants.

Governance

Our Executive Team is meeting virtually every day to discuss and make decisions on service, discuss government guidance, ensure sound financial decisions, discuss people matters and engagement and other real time issues. These meetings are minuted and we have established governance around documenting risk and mitigating actions detailed in a later section.

We have a twice weekly operations call involving all managers to ensure we are kept abreast of emerging issues, making decisions in an agile way - this is chaired by the Executive Director of Customer Service and is also attended by key members of the Executive Team.

Our Board has met virtually at least once per month and agreed an interim budget, our approach to stress testing and funding and our current approach to service for our customers and employees. We have reviewed our decision-making policies and agreed any exceptions that need to be enacted in order to keep the business safe. We are also providing weekly updates to the Board on service, development, people, finances and emerging risks.

We have a daily data report detailing calls, customer issues, repairs, health and safety and rents impact to enable us to monitor the business on a real time basis.

Business plan and financials

We are in a strong financial position as a Group and based on current economic estimates, are able to withstand worst case forecasts on rental income, inflation and economic uncertainties. We have sufficient liquidity to sustain the business until early 2022, although we are already looking at future funding opportunities in order to continue with our development programme.

We are continually modelling potential scenarios on our business plan and although we believe the longer term impact may be unclear for some time, we are confident in all scenarios considered that we remain compliant with our loan covenants and maintain strong performance.

At the beginning of the outbreak, 44% of our income was received from the DWP/Housing Benefit and we are very closely tracking cash received and transaction volumes and financial hardship notifications from self-paying customers. At the time of writing our overall rent collection loss has been limited to less than 2%. At present we are not seeing any material increase in costs as a result of our approach to the current situation. At the inception of lockdown, we put all of our major projects on hold, including kitchen and bathroom replacements, sprinkler installations and cyclical decorations, however the majority of these are now back on site and work is progressing.

We are monitoring the stability of our key suppliers and developing appropriate measures to manage any risk.



Development

Initially our development partners suspended work on site, however the majority of our ongoing developments were at 'breaking ground' stage. Our development partners reviewed the safety of their employees and with appropriate safeguards resumed work on all sites by the end of April.

We are closely monitoring the financial stability of our development partners but we do not anticipate any issues at this stage.

We are currently considering the potential impact on shared ownership sales values and reviewing possible tenure changes on unsold shared ownership units in conjunction with the Greater London Authority (GLA). At the end of March 2020 we had 52 units awaiting sale in our shared ownership portfolio and note that in the period to the end of June we have still had active interest on our unsold units, including 11 reservations and 11 sales.




YEAR IN REVIEW

GROUP TURNOVER

£58m 

Group


OPERATING SURPLUS OF 
£22.5 MILLION

SOCIAL HOUSING 
Operating Cost per Unit

£3,649

RSH GOVERNANCE AND VIABILITY RATING OF

G1/V1 

A+ 
(STABLE)
CREDIT RATING
(Standard & Pools)

116 NEW AFFORDABLE
Homes completed



5★ 
BRITISH SAFETY COUNCIL AWARD

BS9997 
ACCREDITATION OF OUR
fire safety management system

4.2 
TRUSTPILOT SCORE

GLASSDOOR SCORE
4.8 

ABOUT RHP

Our Group Structure

The RHP Group consists of five entities with RHP (the parent company) being a Registered Co-operative and Community Benefit Society and a provider of affordable housing. RHP has four subsidiaries: Co-op Homes (South) Ltd which is also a Registered Co-operative and Community Benefit Society and owns a small portfolio of homes and provides a comprehensive management service to Co-ops predominantly in London and the South East, RHP Finance plc which was established to raise funds from the capital markets for the Group and two dormant subsidiaries RHP Property Limited and RHP Develop Limited.



Where We Operate

RHP operates principally in the four London Boroughs of Richmond, Kingston, Hounslow and Hillingdon in West and South West London. The following map illustrates the spread of our existing properties. As part of our strategy to develop more homes, we have started to pursue opportunities in the additional London Boroughs of Ealing and Wandsworth. The following map details the number of properties for the parent company only in our areas of operation.

Co-op Homes owns and manages 1,254 homes across West London, Slough and Reading.



Housing assets

Housing properties owned and managed at year end (Association only):	2020	2019	2018
Total social housing stock owned at year end (number of dwellings) Including 129 shared ownership properties (2019: 78)	7,209	7,134	7,047
Leaseholder properties serviced	1,998	1,996	1,994
Total	9,207	9,130	9,041

Within the above, we have a small number of properties we manage on behalf of others or are managed on our behalf.

A Social Business

RHP Group does not distribute its profits to shareholders. All surpluses from our core social housing activities are used to improve our services and provide capacity for us to build more new homes for current and future generations and to service debt.

All profits that we make from commercial activities such as the letting of office space, shops and garages and surpluses from the sale of tranches of shared ownership properties are re-invested to subsidise our development of new, affordable homes for rent and shared ownership.

What We Do

We seek to provide people with places they're proud to call home, along with modern services that make lives easier. Our key activities focus upon West and South West London, providing housing for rent, principally for individuals and families who are unable to rent or buy on the open market, and providing retirement housing for people who need additional housing related support. We also build homes for intermediate home ownership as part of our ongoing development programme.

The Group owns or manages 10,461 properties, this includes 1,998 properties where a long lease has been sold (originally under Right to Buy) and 129 shared ownership properties. 89% of the Group's income is derived from social housing lettings. The Group also owns one office building, 18 shops, 6 halls and 948 garages.

Why We Do It

The UK continues to have a chronic housing shortage. This is particularly acute in South West London, our area of operation. Demand outstrips supply for all forms of housing to meet the needs of people at all income levels. Property prices and market rental levels are some of the highest in the country, which creates significant affordability challenges for local people. With population growth in Richmond, Kingston and Hounslow over the next ten years expected to be amongst the largest in London, we anticipate that demand for appropriate housing, that is affordable to local people, will grow further. Therefore, our social purpose is to use our financial strength to provide good quality homes and additional new homes at prices that people can afford.

We also believe that all customers should receive exceptional levels of customer service and should be able to access their housing provider in a way that is convenient to them. Our digital services enable customers to use our services 24/7 and on any device. We appreciate some of our customers are not able to access digital services and we continue to provide more traditional methods of contacting us such as the phone. This substantially reduces the cost of doing business while improving service access and responsiveness and enabling us to invest more money in building new homes and further improving our services.

STRATEGIC AND FINANCIAL REPORT



Our vision is to be one of the best service providers in the country and an excellent employer.

Supporting our vision, our 4 key strategic goals have been the foundation of our focus through recent years. These are to be a leading provider of on-line housing services that deliver exceptional customer experience, provide new homes, ensure we're an inspiring place to work and maintain our financial strength.



To be a leading provider of online housing services that deliver exceptional customer experience

A fundamental part of our vision is being one of the best service providers in the UK. Over the past five years we have made a significant shift in the way we deliver transactional and other services, moving away from a traditional housing management model to a modern, digitally enabled service focused on improving the experience for customers and reducing the cost of delivery for us. Like many businesses, this change is being driven by the need for housing associations to deliver greater output whilst at the same time increase efficiencies. It's also a direct response to changing consumer needs and expectations with customers increasingly wanting to use the channel of their choice and expecting organisations to know, understand and respond to their requirements instantly.

We have made excellent progress with modernising the service and with our digital transformation. Some of our key achievements include:

- ▶ Excellent levels of tenant satisfaction – with our current Trustpilot rating at a record high of 4.2.
- ▶ Reducing our operating costs by about 5% (over 3 years) to £3,649 per unit (including capital expenditure).
- ▶ 81% of our customers say our digital service is easy to use and 67% of our transactions are undertaken online.
- ▶ Increasing our rent collection levels to 100.3% as a result of a substantial improvement in data and processes, resulting in a substantial reduction in cases referred to court and evictions.

We know however there is much more we can do. We have embarked on a further improvement programme to ensure all customer journeys are 'easy' online and ensure we are continually improving our service.

- ▶ We experienced issues with the quality and timeliness of our service during the year as noted in the table below. As a result of these issues, we invested in more expert resource in this area to bring our call answering times and first-time resolution back on track.
- ▶ We introduced individual dashboards so our front line teams can see real time the impact they are having on our customer experience.
- ▶ We have been rebuilding our web platform to ensure we have the agility to make changes to the customer experience quickly in response to feedback as a result of better foundations.
- ▶ This will in turn enable us to move more of the customer journeys online and enable us to introduce much more modern technology to track repairs and works programmes.
- ▶ We will make a substantial shift in the online journey for our homeowner customers in conjunction with an investment in expertise we have made in the year to improve the overall experience for this customer group.





We are proud of the service we have continued to provide throughout the COVID-19 pandemic and the work we have done to keep our employees and customers safe. Our digital services have supported our contact with our customers and our flexible working arrangements have ensured our customer contact centres have remained fully functional throughout lockdown and as we have maintained full employment, we have utilised spare resource to actively contact our most vulnerable customers, support them through this crisis and continue to keep them safe.

We continue to evolve our complaints process by ensuring that we respond, act and learn to successfully drive improvements in the way we work. Last year we took further steps to reduce the number of stage 1 complaints being investigated by using data to understand the biggest drivers of complaints. Our excellent ability to respond to situations when things go wrong for customers has resulted in RHP only seeing two stage 1 complaints escalating to appeal throughout 2019/20. Our effective management of customer dissatisfaction has also been reflected in us not having had an official Housing Ombudsman investigation since 2018.

We monitor and measure our performance on a monthly basis against targets and the following shows our performance over 5 years:

KPIs	15/16	16/17	17/18	18/19	19/20
Customer interactions online	N/A	53%	70%	60%	67%
Tenant satisfaction	78%	80%	84%	88%	83%
Homeowner satisfaction	64%	63%	79%	72%	70%
Tenant satisfaction with caretaking	85%	84%	87%	91%	86%
Tenant satisfaction with repairs service	84%	76%	90%	92%	85%
Occupancy rate	98.9%	99.9%	99.4%	99.8%	99.2%
Rent collected from current and former tenants as % rent due	99.8%	99.2%	99.5%	100.2%	100.3%



To provide more homes

As we continue to endure a housing crisis, it is imperative that we use our financial strength to play our part in trying to resolve this crisis by building as many homes as we can. As we target growth, our aim is to deliver up to 1,000 new homes over the course of the 5 year strategy, through steady and sustainable growth, whilst we ensure we maintain our financial strength.

We operate in some of the most expensive parts of outer London, and the affordability issue in London is well documented. Unaffordable housing is one of the biggest challenges facing Londoners, and the lack of new homes is further driving prices out of reach for local people – house prices are nearly double the national average. With an affordability challenge, high levels of demand for affordable housing will naturally follow. Waiting lists for rented housing remain long, and there is an ever-growing list of people waiting for intermediate housing offers.

In addition to the traditional housing needs of low-income households, our region has a specific and acute housing need amongst younger, working households and 'generation rent' for whom shared rooms and facilities and poor quality and expensive private renting are the only options. It is critical that we help address this acute need and provide a better alternative.

We recognise that we work in a highly competitive market, and an area of operation with high house and land prices.

Over the past seven years, RHP has added 725 homes to its stock, 186 homes acquired from other providers and 539 newly built homes (an average of 77 per year). We have undertaken a range of development projects, including office to residential conversion, land acquisition, s106 and package deals with contractors. We have a healthy forward pipeline of in excess of 400 homes.



KPIs	13/14	14/15	15/16	16/17	17/18	18/19	19/20
New homes completed.	39	97	58	39	90	100	116
Homes acquired.	-	-	-	186	-	-	-
Homes under contract added to pipeline.	-	-	114	199	174	224	40

As we work through our existing pipeline, and start to grow our land acquisitions, most of our new homes will be affordable housing delivered through s106 agreements and package deals with contractors. These homes will be for affordable tenures as prescribed by local need, including London Affordable Rent, London Living Rent and Shared Ownership and will cover a range of sizes to meet local need.

Although proving challenging to progress, we are expanding our development into factory manufactured homes delivered on land that RHP owns or acquires. We are aiming that this will make up around half of our forward programme. We recognise that development is opportunity led – until this route is tested, and whilst good quality s106 and package deals are available, the latter may form the bulk of the programme. However, as we deliver more homes using offsite manufacture, if the cost per home is proven to be less, and opportunities are available, this proportion is likely to grow. We have recently been granted planning consent for our first project which will be delivered by Ilke Homes. We are also leading the NHF sponsored Building Better consortium, with plans for collaboration and procurement of factory built homes at a scale we would not be able to achieve on our own.



Although at the inception of the COVID-19 outbreak, our development partners initially pulled off site, after careful review and introduction of new safeguarding measures, all are now resumed, assisted due to the fact that most were at ‘breaking ground’ stage and not required to work in close proximity. Although we are monitoring their financial strength closely, at this stage, our development programme, although slightly delayed is not affected.

We are closely monitoring our shared ownership portfolio including the impact on sales and market values. At the end of March 2020 we had 52 unsold units in our shared ownership portfolio, however in the 3 months to June 2020, we received 11 reservations on un-sold properties and made 11 sales and are cautiously optimistic about both values and a resumption in market activity.

We are working closely with the Greater London Authority (GLA) on potential tenure switches if required, and are also in conversation with the NHS about providing unsold empty homes for short term key worker accommodation.



To provide an inspiring place to work

Critical to our ongoing success is maintaining and continuing to develop an inspirational organisational culture. This is because to deliver our ambitious strategy we need to attract and retain talented people - and lead them well. Experience has shown us this is the key to achieving customer service excellence and to delivering consistently good business results. It's also enabled us to 'punch above our weight' and attract people capable of driving innovation and change.

Over the past 18 years we have been very successful in making RHP one of the best employers in the country with UK leading levels of employee engagement – being ranked No 1 and No 7 in the 2016 and 2018 Great Place to Work Surveys (for medium sized companies). We are widely regarded as the most innovative social landlord – topping housing's Dolphin Index for the past 4 years running. And in 2018/19, we achieved Investors in People (IIP) accreditation at the prestigious platinum level and IIP Employer of the Year award.

During the year we did see a dip in our employee satisfaction, in part due to the changes we implemented in the senior leadership team, albeit satisfaction was still at very high levels. As these changes were embedded however and throughout the Covid pandemic, we have seen a recovery in satisfaction levels and are confident in increasing these further.

In the same way we have modernised our service for customers using new technology, we are modernising our services for our employees, making it easier for them to do business with us any time, any place and any how. During 2019/20 we launched 'your work your way' encouraging flexible working for all of our employees, ensuring technology supported this flexibility and encouraging employees and managers to think differently about how they achieved success in their roles and an improved work life balance.



KPIs	15/16	16/17	17/18	18/19	19/20
Employees satisfied with working at RHP	N/A	97%	93%	96%	94%
Short term sickness absence	1.0%	1.1%	1.1%	1.2%	1.2%
Employee voluntary turnover	9.9%	11.4%	9.8%	8.1%	14.6%

Our aim is to be the place where people want to work because of our strong social purpose and the scale of our ambition. We want to be attracting talented people to work for us from a range of industries and backgrounds, and who might not normally consider working for a housing association. In doing so we want to bring diversity of thinking into creating a rented housing brand - getting the right people to support this will be key. Our culture is characterised by innovation and creativity - a place where ideas and bravery are valued, supported and encouraged, and where we get the very best out of people by playing to their strengths. In support of this we are excited that our Glass Door rating continues to be at an exceptional 4.8/5.

We support this approach by rewarding high performance and by giving people the flexibility to choose their working arrangements and terms and conditions, so that work fits with and complements their personal lives.

This drive for flexible working has very successfully supported our continuity throughout the COVID-19 pandemic, with all staff able to shift to working from home quickly with full capability to continue to support our customers and ensure our business stability through this crisis.

We launched 'Luminous', our programme for leadership development. This has been externally recognised by the City and Guilds and a number of our managers have been assured through this. This has made a tangible difference within RHP and demonstrates the strength of our line managers as shown by our engagement scores.



Equal opportunities

The Group is committed to promoting equality of opportunity in its employment practices from recruitment and selection, through learning and development, promotion and performance review to retirement. The Group will fairly consider any employment applications made by disabled people. We will also make every effort to continue to employ individuals who become disabled during their employment. We focus particularly on mental health and wellbeing and have Mind Matters champions who support employees across the business.

In the last year, the percentage of employees from a black or minority ethnic background was 12.5%, the percentage of female employees was 53%, and the percentage of employees who declare they have a disability was 7%. We regularly monitor our gender pay equality and are confident our levels of pay are fair with no gender pay gap. For 2020 our data shows that on average women earn 4.3% more per hour than men due to the mix of roles.

Employee involvement

Our aim is to recruit, retain and develop employees who share our passion for delivering great service to our customers. There is a culture of shared leadership, innovation and continual personal development across the Group.

We continue to aspire to be one of the best workplaces in the UK as we believe that this ensures that our employees remain engaged, committed and motivated to achieve our goals.

The Group considers that employee involvement is essential to its success and uses a wide range of methods to inform, consult and involve its employees including through our Engagement Champions, a group made up of employees from across the organisation.

Maintaining Financial Strength

The financial effect of the pandemic has put stress on every sector of the economy with previously healthy businesses now coming under acute financial pressure. We consider ourselves fortunate that our legacy focus on financial strength and stability has allowed us to adapt our organisation to a more volatile environment in which profitability, cash flow and access to finance are under simultaneous pressure.

Our management of liquidity, strong and effective governance arrangements and focus on key financial metrics are critical in managing risk and adapting to adverse events and changes in our operating environment. Financial resilience is crucial if operational resilience is to be maintained in order to take advantage of new opportunities, be innovative and drive further improvements in delivery of our strategy.

We continue to focus on 4 key areas:



1. Strong financial management

We continue to be financially resilient and manage our performance closely through frequent scenario modelling of our business plan for potential adverse scenarios related to our assessment of the risks facing the business, and developing mitigation plans to manage the impact of these. The global pandemic may be a multi-phase crisis with finances coming under pressure repeatedly over the next 12-18 months and beyond. We have shifted focus to rigorously forecast cash flows to model liquidity and have adapted our cash flow models for uncertainty and disruption, revising them regularly.



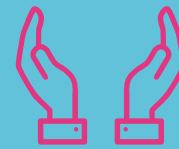
2. Maximising development capacity

Our relentless focus on operating efficiency continues to improve our financial stability and reserves and delivers improved borrowing capacity in order to fund the delivery of more new homes. This is key to us maintaining a very strong credit rating and ensures appetite from lenders remains high and the price of our borrowing remains low thereby enabling us to deliver on our strategic ambition to build more homes.



3. Relentless focus on operating efficiency

We continue to work in a financially challenging environment including year on year rent cuts alongside additional pressures from welfare reform and economic uncertainty. Robust financial planning and supplier management enables the best use of money by ensuring services are delivered in the most cost effective and efficient way. Continued strong performance of key indicators such as rent collection and void turnaround times have contributed to mitigating key financial risks. The Group has delivered a surplus of £14.9m (excluding Dexia repayment break costs) (2019: £13.1m) which we will reinvest in our existing homes and to subsidise building new homes.



4. Protecting and enhancing asset value

Focusing on maintaining and enhancing the value of our assets enables us to have ongoing available security and stable balance sheet values to ensure compliance with the Homes standard and to provide quality homes to our customers.

Group Financial Highlights

The Statement of Comprehensive Income below provides a 3-year summary of the RHP Group results.

Statement of comprehensive income (£'000)	2020	2019	2018
Turnover	58,079	58,155	55,909
Operating costs and cost of sales	(38,489)	(37,867)	(35,003)
Gain on sale of fixed assets	2,905	679	257
Operating surplus	22,495	20,967	21,163
Net interest charge	(18,612)	(7,849)	(8,602)
Movements in fair value	4	21	27
Surplus for the year	3,887	13,139	12,588
Actuarial gain/(loss) on pensions	3,427	(2,690)	727
Total comprehensive income	7,314	10,449	13,315
Operating margin	34%	35%	37%
EBITDA-MRI margin*	34%	36%	38%
Social Housing Operating cost per unit (restated)	£3,649	£3,606	£3,856

*Earnings before interest, tax, depreciation and amortisation, major repairs included, as a percentage of turnover is a measure of the level of net cash generated against interest payments.

The Group's focus on maintaining financial strength has resulted in positive results again in 2019/20.

Two factors have affected our overall results in 2019/20. The £74m Dexia loan facility was repaid on 28 February and £11m break costs have been recognised as additional financing cost incurred in the year. The Social Housing Pension Scheme valuation results have had a £3.4m gain (2019: £2.7m loss) impact on our overall surplus.

The Group's operating surplus of £22.5m (2019: £21.0m) and operating margin of 34% (2019: 35%) remain strong, however are lower than in previous years partly due to the ongoing impact of the rent reduction and investment in our homes. An increase in development has ensured we continue to grow our turnover, and the first tranche sales of shared ownership properties has contributed £1.9m (2019: 2.7m) to our turnover and £0.8m (2019: £0.7m) to our overall surplus.

Our EBITDA-MRI margin remains substantially above our target at 34% (2019: 36%) and demonstrates that the core business is performing strongly and can comfortably cover the level of investment required to keep our homes in good condition.

Our social housing cost per unit of £3,649 (2019: £3,606) measures the efficiency of our social housing business. This has increased slightly in the year due to our additional investment in our customer facing teams as a direct and immediate response to adverse customer feedback. This has been restated in this financial year as ability to analyse the costs between tenures has continued to improve.

The Group's total comprehensive income was £7.3m (2019: £10.4m) and RHP's subsidiary, Co-op Homes (South) Limited has contributed £1.7m (2019: £0.6m) to this overall surplus.



Statement of Financial Position

The Statement of Financial Position below provides a 3-year summary of the RHP Group results.

Statement of Financial Position (£'000)	2020	2019	2018
Housing Properties at cost less depreciation	387,451	364,848	327,430
Investment properties, other tangible and intangible fixed assets	15,498	15,183	15,012
Net current assets	4,950	6,497	15,841
Total assets less current liabilities	407,899	386,528	358,283
Creditors: amounts due after 1 year	281,613	263,985	251,641
Provision for liabilities	97	102	102
Net pension liability*	5,680	9,246	3,794
Total net assets	120,509	113,195	102,746

*The net pension liability includes the liability for the Social Housing Pension Scheme as a result of the change in accounting treatment of the scheme in 2019.

Our statement of financial position reflects sound long term investment decisions, our considered approach to growth, a focus on ensuring that the Group has a strong liquidity position and the operation of a robust risk management framework.

The Group now owns and manages 10,461 (2019: 10,407) homes with the value of the Group's housing properties at depreciated historic cost increasing by £22.6m (2019: £37.4m) over the last year to £387.4m (2019: £364.8m). £24.2m (2019: £39.0m) was spent on the development of new affordable housing with £6.4m (2019: £6.1m) invested in capital works to our existing properties.

We have conducted an impairment review of our housing properties, considering economic conditions, changes to our projected income, prevailing void rates and any changes in use and have concluded that at the current time no impairment is required. There was an impairment in the 2017/18 accounts of £1.2m and in the 2018/19 accounts of £0.5m for Staines Road. A review has been performed relating to the performance of the development in 2019/20 and a valuation at December 2019 determined that the MV-VP of the shared ownership units and the indicative EUV-SH valuation of the rented units were higher than the carrying values, resulting in no further impairment. We have also reviewed other schemes and concluded no impairment is needed. At the current time we do not have adverse views on the value of our shared ownership properties, however given the current pandemic and uncertainties in the market, this will remain under continual review.

From a valuation perspective, the social housing sector is expected to remain in generally good financial health as rental income is reasonably robust and any increases in arrears or voids are expected to be manageable. This represents our views at the time of writing, but we are in a rapidly changing situation where unanticipated changes in circumstances and sentiment can occur.



Treasury Management

Our Treasury Management activities focus upon ensuring that the Group has sufficient available liquidity to fund its operations for a minimum of 18 months, ensuring continued compliance with all loan covenants, managing the risk of adverse movements in interest rates and ensuring that any cash held is invested safely so that the capital is preserved. Treasury management and associated policies are governed by the Group Investment Committee (GIC).

A summary of RHP's loan portfolio as at 31 March 2020 is as follows:

Lender	Amount drawn	Total Facility	Facility Expiry
Lloyds	£57m	£90m	Aug 2024
MUFG	£35m	£35m	May 2024
RBS	£8m	£20m	Dec 2025
Dexia	£0m	£0m	N/A
Listed bond (RHP Finance plc)	£140m	£140m	Feb 2048
Total	£240m	£285m	

We completed three significant treasury transactions during the year which include a restatement of the revolving credit facility with Lloyds Bank PLC, repayment of the entire Dexia loan facility and the signing of a forward purchase agreement for £35m of retained bonds.

On 28 August 2019, we completed the restatement of the revolving credit facility with Lloyds for a further 5 years, while also increasing the facility amount to £90m (2019: £40m). We were also able to negotiate more favourable pricing and terms for the overall facility.

In respect of the listed bond, the amount drawn reflects the net proceeds received. On 17 September 2019, we signed a forward purchase agreement for the sale of £35m of retained bonds, with the proceeds to be received on 17 September 2020.

On 28 February 2020, we refinanced the full outstanding £74m loan facility with Dexia using our available revolving credit facilities. We incurred £11m of break costs which were favourable given the market conditions. The like-for-like replacement cost of debt, including the break costs and based on market pricing at the time, results in a net interest saving of £0.7m per year over the remaining term of the Dexia facility.

We have sufficient funds given our latest cashflow modelling for at least 18 months.



Cash management

Detailed 3 year rolling cashflow forecasts are prepared and reviewed each month, these are reviewed quarterly by our Group Investment Committee and the Board.

Longer term forecasts are also prepared in line with our business plan assumptions and these are reviewed by the Board at least twice per year.

Counterparty risk

At 31 March 2020 all cash investments are held with counterparties who meet the criteria set out in our Treasury Management Policy which requires that the Group seek to minimise the risk of financial loss or liquidity exposure resulting from the insolvency of any counterparty. This is being monitored on a weekly basis due to the coronavirus pandemic.

Counterparty risk from our development partners is actively monitored through checks with reputable agencies in addition to requiring various bonds and retentions depending on the contractor's profile.

Interest rate risk

The Group borrows from banks at both fixed and floating rates of interest with the levels agreed by the Board. At the year-end, 68% (2019: 90%) of the Group's borrowings including the listed bond were at fixed rates. The fixed rates of interest for RHP range from 0.73% to 3.25% while the fixed rates for Co-op Homes range from 1.56% to 10.5%.

Variable rate loans are at 3 month LIBOR. With Bank of England base rate and market rates likely to remain at historic lows for the foreseeable future, even post-pandemic, we do not expect any adverse impact to the cost of variable rate loans. The repayment of Dexia facility using LIBOR linked revolving credit facility drawdowns has reduced our interest cost significantly. Our weighted average cost of borrowing was 2.58% at the year-end (2019: 3.97%).

The Group has not entered into any standalone interest rate swaps and so does not have any mark to market exposure. RHP did however execute a fix on £23m of drawn revolving credit facility in November 2019, which locked the debt at a rate of 0.73% until maturity in August 2024.

Credit Rating

Standard and Poor's (S&P) reviewed our credit rating and announced in June 2020 that it was being maintained at A+ (stable) despite the current economic uncertainty.

Intragroup loans

The net proceeds from the 2015 bond issue of £140m were on-lent by RHP Finance plc to RHP. The bond has a par value of £140m and was issued with a discount at 99%. At the year-end RHP owed RHP Finance plc £138.0m under this loan.

There also exists an inter-company loan facility totalling £8.5m between RHP and its subsidiary Co-op Homes. As at 31 March 2020, £1.0m (2019: £1.1m) of this loan was outstanding.

Loan covenant compliance

The Group's loan covenants are based primarily on interest cover, asset cover and gearing ratios. Covenants are monitored monthly with performance reported to the Board quarterly and were comfortably met throughout the year and at the year-end for all loan facilities.

Reporting on treasury activities

The Board and the Group Investment Committee monitor treasury management and investment policy through a quarterly reporting cycle, together with interim reporting where risks emerge in between meetings. The Treasury Policy and Strategy and the Investment Policy are reviewed annually but are reviewed more frequently when there are signs of a significant change in economic conditions.

Since the outbreak of COVID-19, we have been monitoring and reporting on cash and rent collection levels weekly in order to closely manage liquidity.

Reserves

The Board has reviewed the reserves of the Group, taking into consideration the nature of the income and expenditure streams, and has concluded that the level of reserves shown at 31 March 2020 is commensurate with the performance and investment profile of a charitable housing provider.

VALUE FOR MONEY

Delivering value for money (VfM) to our stakeholders is embedded within our organisational strategy. We strive to continually improve our business and service to customers and lead the sector with innovation that delivers VfM in everything we do.

We pride ourselves on the progress we have made in driving efficiency improvements within our organisation and benchmark in the top quartile of our peer group on operating cost per unit. We do however recognise that VfM is not about minimising costs, which could potentially damage the service we provide, but about ensuring that in all that we do, we consider 'how could we do this more efficiently in a way that delivers value to our customers'. We strive to achieve an important balance between delivering quality services for the short and medium term, with a drive for cost efficiency. We also believe that it is important to 'invest to save' to deliver longer term change and better VfM in all we do.

In 2019/20 we note the following significant improvements:

- ▶ Restructuring our debt portfolio resulting in a reduction in our weighted average cost of borrowing from 3.97% to 2.58% at the year-end.
- ▶ Recognising where we had not delivered the right balance between quality of service and tenant satisfaction due to resourcing levels and shifting that balance to invest more resource in our customer facing teams. This resulted in our Trustpilot score shifting from 1.0 to 4.0 by the end of the year.
- ▶ Improvement in our procurement strategy delivering c£0.6m in savings.
- ▶ Strategic decision to invest more of our resources in our existing homes. Although this includes improvements in energy efficiency, we are also focused on an improvement in the quality of homes we let to ensure our customers can move in and immediately feel at home.

Our organisational and VfM strategy is centred around our 4 strategic goals:

Being a leading provider of on-line housing services that deliver exceptional customer experience that is easy and enjoyable for our customers and employees to use and ensures we make best use of our skilled resource in complex issues rather than basic transactional interactions.

To provide more homes – delivering good quality homes to those who need it most in our local community whilst driving innovation into our build programme through modern methods of construction and tailoring our programme to the needs of the local community.

To maintain financial strength – ensuring we remain strong as an organisation for future generations, are able to withstand and react quickly to changes in our environment and finance our growth at the lowest cost.

To provide an inspiring place to work – ensuring we are a great place to work with satisfied and engaged employees. This in turn delivers a better service to our customers, ensures we maintain a culture of continual improvement and innovation and delivers value to our customers through their interactions with us.

For each of our strategic goals, we have targeted the ambitious improvements we aim to make over our 5-year strategy and beyond and these are detailed in the relevant sections below. We monitor our performance against the metrics used to measure these improvements both internally on a monthly basis and in our accountability to the Board quarterly.

The benchmarking tables below show our performance against the Sector Scorecard metrics. We aim to be in the top quarter compared to our London peer group in all that we do. A green scoring indicates we are in the top quarter, an amber scoring above the median and a red scoring notes we are below the median.



Our Progress and Next steps

Being a leading provider of on-line housing services that delivers exceptional customer experience

We continue with our focus on delivering a modern, digitally enabled housing service and know that despite our progress to date and the efficiency savings this has delivered, there is much more we can do.

We embarked on our digital journey c. five years ago delivering digital services to support our customers, enabling them to contact us at a time and in a way that suits them. We have delivered a 5% reduction in staffing costs across the business as a result. Continual improvement of these digital services for our customers and employees remains a key focus and we are investing c£1m a year in this ongoing improvement.

Our focus in 2019/20 has been on refreshing our technology and approach to enable better agility to deliver changes as our customers and employees give us feedback on how easy these systems are to use. Our new website is nearly ready to launch, however challenges with the project have impacted our ambitions during the year and we are keen to pick up the pace once this new website technology is delivered.

In parallel, we have been focusing on ensuring our administration systems which support the end to end customer journey are also as automated and up to date as possible and are making good progress in the implementation of our new service charge and rent administration system and finance systems.

We recognise that during the year we have had periods where we have not delivered to our high standards of customer service due to resourcing issues and have adjusted our resourcing levels and approach accordingly, as well as introducing real-time data reporting on service levels. We are however proud that despite this dip in performance, our complaint levels remain at record low levels and our turnaround times at 1.7 days on customer complaints are sector leading.

Over the course of the year we have sought to use external measures of customer satisfaction to give us a more rounded view of the customer experience. This has included UKCSI which improved from 63% to 71% and Trustpilot which has increased from 1.0 to a sector leading 4.0.

We continue to improve our management and analysis of data, in particular in relation to using data to inform improvements in the customer journey. We have introduced new metrics through the use of visual data tools that measure repeat contact for each customer, so we can understand where we can improve both our efficiency and the customer experience by getting resolution first time every time. As a result of this data, we can identify areas of weakness in our systems and knowledge and focus our employee training on skills to deal with all queries without the need for repeat contact.

We also recognise that our feedback on the quality of service we provide to our leasehold customers has not been at the standard we would hope to achieve. As a result, we are investing in a new team to support this customer base and improve our processes and systems to ensure their customer journeys are smoother and feedback improved.

We are trialling SMART technology in new and existing homes to establish the impact that this has on both the customer experience and also efficiency within our organisation by reducing the costs of ongoing repairs and maintenance in our homes. Although we are in the early stages of this technology trial, we anticipate that this, coupled with our review of energy efficiency will deliver substantial value to our customers.



Although we are committed to investing substantially in our digital improvements, we have also reviewed our approach to investment with the Board in the year. We believe providing our customers with a safe and comfortable property that they can make their home is our core purpose. We have released capacity in the business to increase our commitment to fire safety, including additional resource and retrospective fitting of sprinklers in all retirement schemes and high rise properties. We also want customers to move into a property that feels like home from the start with carpets and fresh décor at an additional annual cost of £0.7m and are evaluating our approach to delivery of improved energy efficiency.

Our main targets over our 5-year strategy are as follows:

STRATEGIC GOAL	Target by 2023	17/18 performance	18/19 performance	19/20 performance	19/20 target	20/21 target in alignment with new STAR framework
Provide online access for all core transactional services maximising the use of self-serve and automated systems.	90% of business transactions online	70%	60%	67%	75%	70%
Build systems that are convenient, easy and enjoyable to use by both customers and employees, and scalable for use by other housing organisations.	Tenant satisfaction of 90% and homeowner satisfaction of 75%.	84%	88%	83%	90%	80% (restated)
	Score of ease of use of our digital systems of 75%.	79%	72%	70%	73%	70%
	Score of ease of use of our digital systems of 90%.	New in 2018	93%	81%	87%	85% (restated)
Deliver high quality direct services. Maintain support for non-digital customers.	Strong levels of satisfaction with repairs and caretaking.	90%	92%	85%	90%	80% (restated)
		87%	91%	86%	90%	80% (restated)

We recognise that our performance against our 5-year strategy targets deteriorated in the year. This issue was a result of lean resources in our customer facing teams and issues with delivery of our new website platform. We therefore didn't deliver the improvements our customers and employees needed in order to provide the exceptional service we aim for.

We invested in more expert resource in our customer facing teams during the year and saw our customer satisfaction rating improve towards the end of the year. We are confident that our new website platform will be delivered in 2020/21, enabling us to deliver the systems improvements required to further improve our service to both our customers and our employees.

		17/18	18/19	19/20	18/19 benchmark results		
Outcomes delivered indicators	Measure	Group result	Group result	Group result	London peer group median	Sector median	Peer group upper quartile
					Tenants satisfied and very satisfied with the service provided	Provide an appropriate measure that indicates customer's view on their landlord providing value for money.	85%
Investment in communities	Demonstrates extent to which we are using our own money to invest in other areas which generate a social return.	N/A	£25,180	£128,635	N/A	N/A	N/A

in top quarter
 above the median
 below the median

		17/18	18/19	19/20	18/19 benchmark results		
Effective asset management indicators	Measure	Group result	Group result	Group result	London peer group median	Sector median	Peer group upper quartile
					Return on capital employed (ROCE)	Shows how well we use our capital and debt to generate a financial return. A commonly used ratio which compares the efficiency of capital usage across a sector.	5.9%
Ratio of spend on repairs to planned maintenance	Effective planning based on detailed stock condition surveys would allow us to reduce reactive repairs spend in favour of planned maintenance.	0.29	0.29	0.31	0.62	0.65	<0.45
Occupancy rate	Demonstrates how efficient we are at turning around empty homes.	99.4%	99.8%	99.2%	99.6%	99.5%	>99.8%

in top quarter
 above the median
 below the median

Our occupancy rate was lower than in previous years due to one new development, where the nominations agreement with the local council took time to get into place. Subject to the impact of the lockdown, we expect a return to previous levels of performance in 2020/21.

Providing more homes

In 2019/20 we delivered 116 new homes – all of which are delivered as affordable housing. We currently have in excess of 400 homes in the forward pipeline and are proud of our contribution to solving the housing crisis in this difficult geographic area for development. We are progressing with our strategy to deliver modern methods of manufacture within our development programme and are proud to be leading the National Housing Federation ‘Building Better’ project to bring this to reality. We believe this will drive real value for our local communities through delivery of high-quality homes for the middle market at sub-market rent. These will be more cost effective to deliver, manage, maintain and live in.

We continually review our forecast metrics to ensure we do not constrain our business unnecessarily and are maximising our contribution to solving the housing crisis, however note that additional spend on safety in our existing buildings requires us to make difficult trade-offs between where we spend our funds and is constraining our ability to deliver to our target of 1,000 homes. We are currently forecasting around 700 new homes in this five-year period.

Additionally, we did not hit our homes completed target in the year due to delays in completions on 3 schemes.

Our progress on delivery of new homes for young people in West London using modern methods of construction has been difficult. This has constrained our ability to deliver the value we anticipated at the beginning of our strategy as we do not currently have the scale to be able to procure offsite manufactured homes easily. As a result, we are now leading the Building Better programme, aiming to bring about cross sector collaboration in this field. It is expected that this will enable us to deliver our modular ‘LaunchPod’ product faster than we could on our own. However, recent weeks have seen positive progress with manufacturers, and schemes entering the design phase.

We are currently undertaking a review of the quality and fire safety of all our homes built in the last ten years, assessing any potential works that may be required. This is being carried out by the Development and Asset Management teams, supported by external surveyors and fire safety contractors.

STRATEGIC GOAL	Target by 2023	17/18 performance	18/19 performance	19/20 performance	19/20 target	20/21 target
Invest £329m in building 1,000 new homes	Build 1,000 new homes over 5 years	90	100	116	145	84



		17/18	18/19	19/20	18/19 benchmark results		
Development capacity and supply indicators	Measure	Group result	Group result	Group result	London peer group median	Sector median	Peer group upper quartile
Units developed (absolute) social	Demonstrates the contribution to the supply of new social homes.	90	100	116	N/A	N/A	N/A
Units developed as a % of units owned (social)	This enables a comparison between providers of units developed in relation to size of stock.	1.3%	1.3%	1.6%	1.4%	1.0%	>2.1%
Reinvestment %	Demonstrates extent to which we are using our own money to invest in housing supply.	12.0%	12.4%	7.9%	5.0%	5.4%	>6.5%
Gearing	This shows the proportion of borrowing in relation to the size of our asset base. A low % can indicate capacity to leverage existing assets to fund investment in new homes. A high % could indicate too much borrowing putting assets at risk.	60%	59%	59%	40%	34%	<33%
■ in top quarter ■ above the median ■ below the median							

Due to our LSVT origins, our gearing % remains high and will always constrain our development capacity compared to our peer group, however given the constraints we face in our geography, we are proud of the contribution we are making to increasing supply.

To maintain financial strength

Our ambition as an organisation is to ensure we maintain our financial strength to confidently withstand market changes and ensure we provide a secure and safe home for our existing customers. We also strive to deliver efficiencies where possible through process review, elimination of waste and management of an efficient treasury portfolio. We perform very strongly against sector benchmarks and aim to continue to deliver top quartile performance against our London peer group.

Our strategic goals and performance against them are as follows:

- ▶ Maintain healthy operating margins so that we can cope with changes in our external operating environment and challenges that may occur within our business. 2019/20 performance was 34% against a target of 39%.
- ▶ Work within set hurdle rates and financial metrics required to support our credit rating. 2019/20 performance was A+ stable which achieved our target.
- ▶ Drive efficiency in our social housing operating costs and maintain top quartile operating cost per unit performance. 2019/20 performance was £3,649.

STRATEGIC GOAL	Target	17/18 performance	18/19 performance	19/20 performance	19/20 target	20/21 target
Maintain healthy operating margins so that we can cope with changes in our external operating environment and challenges that may occur within our business.	Deliver a top quartile operating margin.	37%	35%	34%	39%	34.3%
Work within set hurdle rates and financial metrics required to support our credit rating.	Maintain strong S&P credit rating.	AA-	AA- (negative)	A+ (stable)	A+ (stable)	A+ (stable)
Drive efficiency in our operating costs.	Maintain top quartile operating cost per unit performance	£3,856 (restated)	£3,606 (restated)	£3,649	<£4,000	<£4,000

We set ourselves challenging targets at the beginning of the year and although not completely achieved, we are proud to perform well compared to our peer group. We have chosen to invest more in delivering excellent customer service and keeping our customers safe, which challenged our delivery of our operating margin target. We do however continue to improve our rent collection performance (before the COVID-19 pandemic) and are proud of our achievement in this area.

In June 2020 S&P confirmed our credit rating at A+ (stable). We believe our rating reflects our organisational strength and aim to maintain this despite the current external economic environment.

Like others in the sector, we have placed substantial focus on health and safety. In 2019/20 and for future budget years, we are investing more in resource to support our health and safety compliance, fire risk assessment work, evaluation of all our recent developments and data integrity in keeping all of our customers safe. This is and will continue to constrain our operating margin and operating cost per unit performance, however is essential as a provider of safe and secure housing for all of our customers.

Our performance against the Sector Scorecard metrics are detailed below:

Business health indicators	Measure	17/18	18/19	19/20	18/19 benchmark results		
		Group result	Group result	Group result	London peer group median	Sector median	Peer group upper quartile
Operating margin	Measures surplus generated from turnover on day-to-day activities. This indicates operating efficiency and business health.	37%	35%	34%	27%	26%	>35%
Operating margin (social housing lettings)	Measures surplus generated from turnover on day-to-day activities from social housing lettings only.	43%	39%	37%	29%	27%	>37%
EBITDA MRI Interest cover	An approximation of cash generated, as a % of interest. This shows the level of headroom in meeting interest payments on outstanding debt.	216%	216%	95.2% (excluding Dexia repayment 203%)	162%	198%	>228%

in top quarter
 above the median
 below the median



		17/18	18/19	19/20	18/19 benchmark results		
Operating efficiency indicators	Measure	Group result	Group result	Group result	London peer group median	Sector median	Peer group upper quartile
Headline social housing cost per unit	The measure used by the RSH in unit cost analysis. This calculation uses the number of social housing units and specifically excludes leasehold properties.	£3,856 (restated)	£3,606 (restated)	£3,649	£4,842	£3,725	<£4,325
Overheads as % of adjusted turnover	Shows the proportion of turnover required to pay for overheads. A high ratio could indicate potential cost savings by improving the efficiency of back office functions.	8%	9.4%	9.5%	11.8%	12.8%	<9.2%
Rent collected	Demonstrates effectiveness of income management in collecting rent due and managing arrears levels.	99.8%	100.2%	100.3%	100.0%	99.8%	>100.6%

in top quarter
 above the median
 below the median

We continue to benchmark positively in our efficiency as measured by operating cost per unit. We do however chose to invest substantially in our learning and development programmes and people and as a result our overheads generally score slightly below top quarter performance. Our rent collection performance continued to improve in 19/20, and although current collection remains strong, it is adversely affected by the impact of the pandemic on our customer's incomes.

In 2018/19 we invested in a new procurement function within the Group and have delivered significant improvements in VfM and governance arrangements in our first two years and savings of over £1m. As part of a three-year plan for procurement, substantial further savings are expected.

Although we appreciate the economic difficulties for our customers, we concluded to increase our rents where applicable for 2020/21 at CPI+1%. This will enable us to fund the additional stock investment programme required in order to keep our customers safe and deliver the energy efficiency improvements required.



To provide a great place to work

Providing a great place to work with satisfied and engaged employees ensures we deliver a better service to our customers, maintain a culture of continual improvement and innovation and deliver value to our customers through their interactions with us.

In 2018, we obtained IIP Platinum employer of the year award, recognising our focus in this area. We have continued to focus on this excellent performance, investing in our people through tailored training and development, particularly in areas such as leadership, coaching, emotional resilience, customer service and financial awareness. We are proud to have obtained external assurance for our in-house training programme for leadership development from City and Guilds and ILM.

In 2019 we launched our 'Your Work, Your Way' programme enabling greater flexibility in the way people work and encouraging a personalised approach where people could explore opportunities that worked best for them, their teams and the customers they serve. The programme has been received very positively and has enabled more flexible and efficient use of office space and a better 'work-life balance' for our employees. This has been made possible through the introduction of new flexible technology including laptops and remote telephony for all employees.



We have moved to survey our employees on a quarterly basis to ensure we remain agile in implementation of changes where required and note that during 2019/20 we saw a dip in satisfaction which may be due to changes in the senior leadership team across the organisation. We are pleased to report however that our results have improved towards the end of the financial year and we are aiming to be reaccredited with Investors in People Platinum at the end of 2020.

We are also excited to report our strong Dolphin Innovation Index survey results for 2019, recognising our ongoing focus on innovation. The report comments that 'overall your profile sits way above the UK norm. Your culture is quite simply extraordinarily positive.'

Our results against our strategic goals over the last 3 years are as follows:

STRATEGIC GOAL	Target	17/18 performance	18/19 performance	19/20 performance	19/20 target	20/21 target
Maintain industry leading levels of employee morale and motivation.	Level of employee satisfaction of 90% plus.	93%	96%	94%	90%	90%
Support a culture of innovation and creativity.	High levels of employee trust. Glassdoor rating (out of 5)	N/A	N/A	4.8/5.0	N/A	4.9/5.0

Governance

VfM is embedded in the governance arrangements for the Group and the Board requires VfM to be considered in all matters reported to them. We regularly measure and report against our own VfM metrics within our management and governance reporting and compare our performance to benchmarks where available. Our progress on our VfM Strategy is scrutinised by the Board every six months.

Group Investment Committee (GIC) has a duty to appraise all significant projects across Development, Finance, IT and Asset Management and requires detailed appraisals and business cases, a minimum return on investment and reviews post completion evaluations. Our Board scorecard provides scrutiny on operating performance. Our approved budget targets specific savings and holds the organisation to delivery of those savings.

Purchasing - The Group's standing orders, financial regulations, procurement framework and purchase order systems provide a robust framework over the tendering of works, placing of orders, commitment to and the authorisation of expenditure - ensuring VfM is built into our purchasing processes.

Delivering strategy - The responsibility for delivery of the strategy and the action plan is through the Executive Group and Leadership Team. They ensure that the VfM Strategy is reviewed on a regular basis and suggest enhancements as appropriate.

Day to day management - Managers and budget holders are responsible for ensuring VfM in the day-to-day management of their service and in helping to consider VfM in any new proposals or reviews of their service area. They will also need to work with the Leadership Team and Executive Group to ensure that VfM is understood by all staff who are encouraged to contribute ideas to support this agenda.

All employees should endeavour to seek and achieve VfM in all activities and to bring to management's attention any opportunities for improvement or financial savings. The responsibility for providing VfM for our customers lies with everyone who works at RHP. It is not restricted to senior management or those with financial responsibilities.

BOARD REPORT

Board member profiles



John Newbury - Chair of the Board

John is an experienced and qualified housing professional with 30 years of senior experience in housing and regeneration covering the public, commercial and not-for-profit sectors. He had a senior local government career in the West Midlands, Newcastle-upon-Tyne and London, including as Director of Housing Services for Hammersmith & Fulham Council. John then established Newbury King Consultants which was later acquired by Mouchel, and John became Mouchel's Director of Housing & Regeneration. John is a Fellow of the Chartered Institute of Housing.

Declared Interests: John is a non-executive director of LiveWest and is a Board member of RHP Finance plc.



David Done OBE - Chief Executive

David Done OBE is CEO of RHP, one of the most exciting and innovative social enterprises in the UK, and a past winner of Not for Profit of the Year at the prestigious UK Business Awards. RHP provides affordable housing to people in west London. It has a unique culture regarded as one of the most inspirational places to work in the country and a former winner of IIP Platinum Employer of the Year. Topping housing's innovation index for the past 5 years, RHP is leading the way on digitalisation and delivering housing services online. David is a recognised thought leader in the sector ranked in the top 20 of 24 Housing's most influential people. His expertise is in business transformation and organisational development, driven by a passion for creating inspirational cultures capable of delivering world beating customer service.

Declared interests: David's partner is the CEO of CDS Cooperatives. His brother in law is Chair of the Board for Robust Details Ltd. David is also a Board member of Golding Homes



Suzanne Avery - Board member

Suzanne has over 20 years' extensive experience at the forefront of the real estate and housing finance sectors, formerly as Managing Director of the London Real Estate Finance Group & Sustainability at RBS, where she built a significant business which was awarded some of the largest and most complex UK real estate debt and capital markets transactions. She is now engaged in a range of corporate initiatives in the UK and internationally.

Declared Interests: Having held various Board appointments over the last decade in healthcare and property related sectors including at A2 Dominion. Suzanne is currently Trustee of LandAid, senior advisor with Centrus, a Church Commissioner and Non Executive Director of LondonMetric Property Plc.



Toby D'Olier - Board member

Toby has been a RHP Homeowner for 10 years. He joined the Board in September 2013. He spent 15 years working in radio for Global, as well as the BBC and others as an Executive Producer and manager and has for the last 7 years been self employed as a Videographer, Audio Producer and editor, producing long and short form documentary and corporate video as well as podcasts & radio shows for a variety of clients.

Declared Interests: Toby is a member of the Kew Society, who campaign to preserve the character of Kew and the surrounding area.



Jenine Langrish – Board member

Jenine spent around 25 years working in the City, mainly as a UK equity fund manager responsible for looking after charitable funds. More recently she has held a number of non-executive roles with a variety of not for profit organisations. This included 9 years on the Board of Town and Country Housing Group, a housing association based in Tunbridge Wells, where she chaired their Investment and Finance committee. Jenine has lived in the Borough of Richmond for over 30 years and is delighted to be on the Board of RHP, her local housing association.

Declared interests: Jenine is a member of the Risk and Audit Committee of a Tower Hamlets based housing association, Gateway Housing. She is an enthusiastic member of a number of local organisations, and chairs a coalition called MASC (Make Air Safe and Clean) which brings together local groups campaigning for clean air in South West London.



Chris Ling – Board member

Chris is a highly experienced CFO with over 20 years of senior finance roles across a wide range of industries and companies. He is the Group CFO of Park Holidays, the largest operator of holiday parks in the South of England. Prior to Park Holidays, Chris worked in a number of large FTSE listed businesses including Centrica where he was the Finance Director of both the residential and commercial energy supply businesses. He is a Chartered Accountant with a degree in Physics from Imperial College.

Declared Interests: None



Stephen Speak – Board member

Stephen joined the RHP Board in June 2013. His background is in audit and finance and he has been a director of multiple businesses over the years. Currently he is a director of an internet retailer and of three RHP subsidiaries while also providing ad-hoc consulting services on a self-employed basis. He has lived in Richmond since 1988 and serves in a voluntary capacity on the committees of Richmond Society, Kew Society and London Forum. He was elected a Councillor for the London Borough of Richmond in 2012 and served on Richmond Council's Cabinet from 2014-2018.

Declared Interests: Stephen is a director of RHP Finance plc.



Nigel Taylor - Board member

Nigel joined the RHP Board in July 2015. A local resident, he has dedicated 30 years' service to the property and construction industries. He is currently Chief Operating Officer at Southern Holdings, a portfolio of property services businesses. Nigel previously held senior roles with Carlton, Carillion, Wimpey and Edmund Nuttall. He is a Fellow of the Royal Institution of Chartered Surveyors, a Royal Engineer in the Engineer & Logistics Staff Corps (V) and Chair of Red Door Ventures.

Declared Interests: Nigel is a Lieutenant Colonel in the Engineer & Logistics Staff Corps (V), Non-executive Chair of Red Door Ventures, a director of a portfolio of businesses owned by Southern and joint owner of Taylor Bates, Carlton and San UK.



Sarah Weller – Board member

Sarah is an experienced leader in digital innovation. Currently working as a Director at ?What If! Innovation, Sarah works with businesses across multiple sectors to deliver user centric solutions that solve real human problems. Most recently Sarah has worked alongside the National Housing Federation on delivering the Greenhouse program and this is where her desire and drive to get more involved in housing really started. Prior to joining ?What If!, Sarah spent 8 years working for technology start-ups. Most recently, Sarah was Managing Director of a mobile consultancy and app development agency that developed digital products for large corporations across a range of sectors.

Declared Interests: None



Jane Gallifent – Board member

Jane Gallifent is the Director of Development & Sales at Aster Group bringing 30 years of experience in the delivering new homes across a wide range of tenure throughout the South East and West of England. Jane leads a team responsible for a large development programme ranging from S106 opportunities, land acquisition, Joint Ventures, Partnerships and Community Land Trusts and is on track to deliver over 10,000 homes over the next 7 years for the Group.

Declared Interests: Employee of Aster Housing Group

CORPORATE GOVERNANCE AND BOARD COMMITTEES

The RHP Board, which is our ultimate governing body, sets the overall aims and objectives of the RHP Group and ensures that RHP and its subsidiaries are meeting these and keeping within their legal and ethical obligations. The Board is also responsible for protecting and ensuring the financial wellbeing of the Group.

Co-op Homes (South) Limited is a subsidiary of RHP. RHP has the right to appoint members to the Board of Co-op Homes and thereby exercises control over it as a subsidiary.

RHP Finance plc is a 100% owned subsidiary of RHP which was incorporated in November 2014. Its purpose is the raising of funds for the Group from the capital markets through an own name bond issue. The four Directors of RHP Finance plc were appointed by the Board of RHP and consist of two RHP Non-Executive Directors, the Group Chief Executive and the Executive Director of Finance.

RHP Develop Limited and RHP Property Limited are 100% owned subsidiaries of RHP and were incorporated in March and April 2018 respectively. They are currently dormant and have not traded in the financial year, however will assist the Group in our growing development programme in terms of managing risk and maximising financial efficiency.

The detailed arrangements by which RHP exercises control and oversight of Co-op Homes, RHP Finance plc and its other subsidiaries is set out in the Group Management and Control Framework which has been adopted by both the Boards of RHP and Co-op Homes. This framework covers governance controls, operational controls, financial controls and Group internal controls.

Through a quarterly meeting cycle, the work of the RHP Board is supported by committees (which also meet four times per year, apart from Governance & Remuneration which meets at least twice a year), a structure which allows in-depth scrutiny of important strategic issues. The committees are:

- ▶ Service Delivery Committee (SDC).
- ▶ Group Audit Committee (GAC).
- ▶ Group Investment Committee (GIC).
- ▶ Governance & Remuneration Committee (G&RC).

The Executive Group and Management Team

The RHP Group is managed by an Executive Group, comprising the Chief Executive, the Executive Director of Finance, Executive Director of Development, Executive Director of Customer Services and the Executive Director of People and Business Services. The Executive Group is supported by a Leadership Team which consists of service directors and a number of Heads of Service. These groups meet regularly to review performance and delivery of the Group's objectives.

For salary disclosure purposes, the Chief Executive and Executive Directors are referred to as directors; however, with the exception of the Chief Executive who is a Board member, they are not regarded as directors for legal purposes.

GDPR

The new GDPR legislation came into effect from 25th May 2018. We can confirm we are in compliance with the legislation.

Code of Governance

During the year the Governance and Remuneration Committee carried out a review of our governance arrangements and assessed its compliance with the National Housing Federation (NHF) Code of Governance (2015) which was adopted from April 2016.

The Committee reported to the Board and is pleased to confirm full compliance with the code.

During the year the Board of Co-op Homes (South) Limited carried out a review of its governance arrangements and assessed its compliance with the National Housing Federation (NHF) Code of Governance (2015). The Board confirms compliance with the code.

Anti-Fraud, Money Laundering and Anti-Bribery, Corporate criminal offences

The Board has confirmed its zero tolerance policy to fraud, bribery, money laundering, tax evasion or corruption of any kind. The Group continually reviews its Anti-Fraud and Bribery Policy and approach to corporate criminal offences and carries out training sessions to ensure a culture of fraud, bribery, tax evasion and money laundering risk awareness is in place in the organisation, and that employee responsibilities are clear.

A fraud register is maintained and is reviewed by the Group Audit Committee on a quarterly basis. Any fraud or attempted fraud is reviewed according to the Group's

Anti-Fraud and Bribery policy and reported to Group Audit Committee and subsequently to the Board, with plans and actions for areas sensitive to the fraud. We can confirm there have been no instances of fraud in the financial year.

Modern slavery and human trafficking

The Group is committed to understanding modern slavery risks and ensuring that we comply with our legal and regulatory responsibilities, including the Modern Slavery Act 2015. We take care to ensure that slavery and human trafficking does not exist in any part of the Group or its supply chain. RHP's full statement on modern slavery is available to download from the RHP website

Internal Controls Assurance

The Board has overall responsibility for the system of internal control and risk management across the Group and for reviewing its effectiveness. The Group Audit Committee is responsible on behalf of the Board for monitoring this system and reporting on its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. It can only provide reasonable, and not absolute, assurance against material misstatement or loss.

Key elements of the Group's internal control framework include:

- ▶ Board approved terms of reference and delegated authorities for Group Audit, Group Investment, Governance & Remuneration and Service Delivery Committees.
- ▶ Clearly defined management responsibilities for the identification, evaluation and control of significant risks. The Executive Directors regularly consider reports on these risks and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

The framework is made up of:

- ▶ Internal audit assurance. The Group's internal audit function is delivered through a specialist third party organisation which has a direct reporting line to the Group Audit Committee. The internal audit programme is designed to review key areas of risk.

- ▶ Robust strategic and business planning processes, with detailed financial budgets and forecasts. These are reviewed and approved by the Board and actual performance versus budget/forecast is monitored throughout the year by the Executive Directors, the Board and the Group Investment Committee.
- ▶ Regular reporting to the Executive Directors, the Group Investment Committee and the Service Delivery Committee on key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes. These reports and the outcomes of these reviews are reported to the Board at each meeting throughout the year.
- ▶ Formal recruitment, retention, training and development policies for all employees.
- ▶ Established authorisation and appraisal procedures for all significant new initiatives and commitments.
- ▶ A Treasury Management Policy, reviewed by the Group Investment Committee on an annual basis.
- ▶ A Board approved Whistle-Blowing Policy.
- ▶ Board approved Anti-Fraud, Anti- Bribery and Anti-Money Laundering Policies, covering prevention, detection and reporting of fraud, and the recovery of assets.
- ▶ Policies on payments & expenses to employees and Board members.

The Board cannot delegate ultimate responsibility for the system of internal control, but has delegated authority to the Group Audit Committee to regularly review the effectiveness of the system of internal control. The Board receives quarterly reports from the Group Audit Committee together with minutes of Group Audit Committee meetings.

The Group Audit Committee and Board have received the Chief Executive's annual review of the effectiveness of the system of internal control for the Group, and the annual report of the internal auditor. In their annual report, the internal auditors confirmed that the Group's systems of internal control continue to demonstrate a strong internal control environment.

The Board has reviewed the effectiveness of the system of internal control, including risk management, for the year to 31 March 2020 and up to the date of signing these financial statements. It has not identified any weaknesses sufficient to cause material misstatement or loss which require disclosure in the financial statements.

Board members and Executive Directors

The present Board members and the Executive Directors of the Association are set out on page 3. The Board members are drawn from a wide background bringing together professional, commercial and local experience. Our Board is committed to RHP's culture, ethos, values and objectives.

As at 31 March 2020, the Board comprised 10 members, including the Chief Executive, with all members selected based upon the skills and experience that they can contribute.

The policy for selecting and appointing Board members and for admitting new shareholders is contained within RHP's Standing Orders and Delegated Authority Policy, Recruitment and Selection of Board Members policy, and Shareholder Membership Policy.

The Group has insurance policies that indemnify its Board members and Executive Directors against liability when acting for the Group.

The table below provides details of the meeting attendance of the Group Board during the year to 31 March 2020.



	Board	Group Investment Committee	Group Audit Committee	Governance and Remuneration Committee	Service Delivery Committee
No. of Meetings	3	4	4	3	4
Shannel Adams - resigned 24 January 2020	0/3	-	-	-	1/3
Suzanne Avery	3/3	3/4	1/1	2/2	-
Angelika Chaffey - resigned 18 July 2019	1/1	-	-	1/1	-
David Done OBE	3/3	-	-	-	-
Jane Gallifent - from 18 July 2019	1/2	3/4	3/3	-	-
Jenine Langrish	3/3	-	3/3	3/3	4/4
Christopher Ling	2/3	4/4	4/4	-	-
Peter Marsh - resigned 18 July 2019	1/1	1/1	-	1/1	-
John Newbury (Chair)	3/3	4/4	-	3/3	-
Toby D'Olier	3/3	-	-	-	4/4
Stephen Speak	3/3	3/4	1/1	-	4/4
Nigel Taylor (Senior Independent Director)	2/3	0/1	1/1	2/3	-
Sarah Weller - from 18 July 2019	1/2	-	1/3	-	1/3

Executive Group – contracts of employment

The Chief Executive and other Executive Directors are employed on the same terms as other employees and all have notice periods of six months.

There is a Governance and Remuneration Committee consisting of four Board members, including the Chair and Deputy Chair of the Board. The role of this Committee is to determine a comprehensive Remuneration Policy for the RHP Group that is appropriate to its needs and objectives, to set the Chief Executive's remuneration package and to oversee those of the other Executive Directors.

When determining the remuneration levels of the Executive Directors, the Committee pays close attention to terms and conditions in the sector. Basic salaries are set with regard to each Executive Director's responsibilities and pay levels for comparable positions. At the end of each year the Executive Directors, in common with all employees, are eligible for a bonus of up to 10% of their salary depending upon an assessment of both their individual, and the company's performance.

Pensions

All Executive Directors, including the Chief Executive, are members of the Social Housing Pension Scheme. The Executive Directors participate in the scheme on the same terms as all other eligible employees. The Group contributes to the scheme on behalf of its employees.



RISK MANAGEMENT FRAMEWORK

RHP's Board, Executive Group and Management Team consider our risk management framework to be vitally important to maintain safe and comfortable homes and achieve our strategy. Our approach to risk is strong and has been subject to external scrutiny from risk practitioners and through our in-depth assessment In Depth Assessment by the Regulator of Social Housing in 2019. However, we commit to continuously improve our risk analysis and practices with an ongoing improvement plan.

Group Audit Committee receives regular reports on our operational risks, ensuring that the Board obtains robust assurance that our risks are being managed and mitigated effectively. Our risk management framework is used to design our internal controls and determine our internal audit programme.

As a result of the recent global pandemic, we have enhanced our consideration of our risk profile, each specific risk and our mitigating actions. We have been reviewing our operational risk maps on a weekly basis, and reporting any changes in risks to our Board weekly. We note that the risks we face as a business remain broadly as before, however the probability and impact on their occurrence substantially increased in most cases. Our monitoring of our mitigating actions has also been enhanced with weekly ongoing reviews.

These are the main strategic risks to the Group and how they are mitigated:

Risk area	Risk detail	Comments and Risk Mitigation
Health and safety related risks.	<p>We place huge importance on ensuring the safety of our customers' homes. A significant health and safety failure by RHP which leads to the death or serious injury of a customer, employee, supplier or member of the public would have serious implications for the Group. Depending upon the nature of the incident, such an event would likely result in regulatory action being taken against RHP by the Health and Safety Executive who could impose a significant fine and reputational damage amongst customers and external stakeholders.</p> <p>During the government lockdown a key risk to maintaining health and safety compliance has been customers providing access for essential Health and Safety work. We consider it essential to continue making every effort to complete all essential health and safety visits and remedial work.</p> <p>There is a risk that one or more of our key suppliers is unable to continue essential health and safety work and we are continually evaluating the likelihood of this and establishing mitigation plans.</p>	<p>We have a dedicated health and safety team in place which provides guidance and support to the Group and active monitoring of our programme of compliance checks and remedial work. An employee Health and Safety Committee meets bi-monthly with the Management Team and Executive Group receiving a quarterly report, and the Board receiving monthly updates and an annual report. A comprehensive rolling cycle of statutory servicing takes place using appropriately accredited contractors with performance tracked through our performance reporting framework on a monthly basis.</p> <p>We ensure the safety of our customers and our employees through a rigorous process of health and safety management and training.</p> <p>Our procurement processes ensure that all contractors demonstrate competence in Health and Safety practices before appointment. Our internal audit programme covers key areas each year where we have a duty of care to our customers including fire and gas safety, water testing, asbestos recording and handling, safety on construction sites and electrical safety.</p> <p>We have provided a detailed and robust response to the tragic events at Grenfell with further fire risk assessment activity and a programme of retro fitting of sprinklers. We are keeping a close watch on any changes in legislation and regulation following the Grenfell review and will implement any required actions as quickly as possible.</p> <p>We are continuing fire safety improvements to homes and our programmes of safety checks during the current lockdown, and are vigilant of any impact on our activity due to COVID-19. We are keeping detailed records of our attempts to access customers' homes during the lockdown.</p>

Risk area	Risk detail	Comments and Risk Mitigation
<p>Income related risks.</p>	<p>The economic impact on so many individuals and families as a result of the current pandemic will have consequences for many years to come. We have adopted an empathetic approach with our customers in relation to payment of their rent, however the risk to our rental income collection remains for the foreseeable future as customers struggle to manage their budgets.</p> <p>The roll out of Universal Credit, which has accelerated since the lockdown in March, is having an impact upon levels of arrears.</p> <p>As a result of current economic uncertainty, the top end of the housing market in our area of operation has seen a reduction in prices. Although we continue to see healthy interest in our shared ownership portfolio, we retain a watchful eye on the market to ensure we implement any mitigation plans early including tenure switch if available.</p>	<p>A detailed action plan for arrears and Universal Credit is being delivered and we are adopting a flexible approach for customers unable to pay their rent due to the impact of COVID-19. However we maintain a focus on reducing arrears and continually improving our service to customers wanting to pay their rent. Our focus continues on cost reduction and liquidity management in order to mitigate these risks as far as possible.</p> <p>We have achieved preferred partnership status and access to the Trusted Partnership Portal to enable more active management and tracking of all Universal Credit cases. Where possible we apply for the housing benefit element of any Universal Credit claim to be paid directly to RHP.</p> <p>A robust process of cashflow forecasting is in place which covers the short, medium and long term requirements in order that liquidity requirements can be actively managed. We have carried out additional stress testing in the event of impairment and slower sales of our shared ownership properties as a result of the lockdown. Our treasury management policy requires cash or available loan facilities for committed activities to be in place 12-18 months in advance of anticipated need with cashflow forecasts being reported monthly to the Executive Group and quarterly to the Board.</p> <p>For developments where shared ownership is part of the tenure mix, we perform additional sensitivity testing on the impact of a downturn in the market and have detailed mitigation strategies for each development.</p>
<p>Data protection and IT security risks.</p>	<p>The pressure exerted by the external environment on our IT and data security continues to grow and become more sophisticated. Continued improvements in vigilance, protection systems, training and awareness are critical to protect our customers, employees and business continuity.</p> <p>On 25th May 2018, the General Data Protection Regulation (GDPR) came into force, replacing the Data Protection Act 1998. This is the most significant change in data protection law in the last 20 years and changes the way organisations can capture, use and share personal data both within their business and externally. The fines and penalties associated with non-compliance are substantial.</p>	<p>A detailed suite of activities are regularly undertaken to assess and improve our management of these threats. This includes third party penetration testing of our networks and other relevant external advice.</p> <p>A framework of service level agreements is in place with key suppliers and system providers to ensure there is an appropriate response in the event of failure of any part of our network.</p> <p>A robust business continuity plan is in place which is regularly tested. Regular training on data and cyber protection is provided to employees and managers with specific focus on those areas where personal customer and employee data is held.</p> <p>We have undertaken a detailed and robust review of our approach and processes to ensure compliance with the GDPR legislation, however ongoing vigilance, focus and improvements will be necessary to ensure this risk is well managed.</p> <p>Risks of phishing scams have increased during the lockdown and we maintain extra vigilance and redoubled our activity to keep employees appropriately trained and aware of the risks.</p>

Risk area	Risk detail	Comments and Risk Mitigation
<p>Cost related risks including pension costs and inflation rates.</p>	<p>Costs of construction of new homes and underlying CPI have been increasing. Due to the lockdown we face additional risk of hyperinflation for repairs and maintenance costs.</p> <p>Our exposure to increasing liabilities and costs associated with defined benefit pension schemes makes the schemes increasingly difficult for the Group to maintain.</p>	<p>We have taken significant steps as a group to reduce our cost base to mitigate the impact of the rent reduction but also ensure we are lean and agile. Work continues to reduce costs through further automation, and the use of collaborative procurement framework agreements.</p> <p>The continually changing economic environment and pressures as a result of Grenfell have resulted in challenges to our delivery of our cost reduction target, however these are being monitored and managed closely and reported regularly to the Board through key performance indicators and management accounts. We have undertaken additional stress testing based on the outlook since the lockdown in March.</p> <p>We are anticipating a significant increase in the cost of sustaining our defined benefit pension schemes and are concluding on our strategic review of our pension arrangements.</p>
<p>Asset related risks.</p>	<p>Ensuring we have a complete and frequently updated assets and liabilities register is critical in terms of regulatory compliance.</p> <p>Our key asset is that of our stock portfolio. A robust understanding and close management of our portfolio including a cost-effective maintenance and stock investment programme are critical to ensuring adherence to the Home and other consumer standards and health and safety compliance.</p>	<p>We have an "Assets and liabilities data room" and policies and procedures to ensure it is kept up to date.</p> <p>Our asset management strategy and steering group provide further focus on effective management of this area. This includes stock condition surveys, thirty year capital replacement programme, continual improvement of data quality, effective management of voids and a disposals strategy. This steering group is leading the programme of activity in ensuring the required improvement in energy efficiency of our portfolio by 2030.</p> <p>These tools are used to implement our approach to selective property disposal, ensuring assets are only disposed of where this releases substantial capacity for developing new homes.</p>
<p>Risks of loss of our organisational culture.</p>	<p>We continue to review and adjust our business and its delivery model. Any change leads to a degree of uncertainty amongst employees with the risk that RHP's culture and high levels of employee engagement are threatened.</p> <p>We intend the circumstances around COVID-19 to strengthen our culture and our employees have responded flexibly to ensure our workforce is utilised in a balanced way to address the restrictions and pressures in difference areas of our service.</p>	<p>We regularly test levels of employee engagement through employee engagement surveys and more frequent pulse checks. The results of these are then used to inform our activities aimed at protecting and enhancing our corporate culture and employee engagement levels.</p> <p>Our learning and development activities and approach to recruitment aim to develop talent internally with opportunities created to enable professional and personal development.</p> <p>The clear "golden thread" from our strategic goals, annual priorities and individual objectives ensures that all employees have a clear connection with what the organisation is trying to achieve. Our individual and corporate bonus arrangement is clearly linked to achievement of both individual and corporate objectives.</p> <p>RHP regularly keeps its approach to recruitment and retention under review through its Governance and Remuneration Committee which meets three times a year.</p> <p>The risk to our employees from COVID-19 has been reduced wherever possible through remote working and altered hours of operation on our estates.</p>

Risk area	Risk detail	Comments and Risk Mitigation
<p>Reputational risk including those associated with the failure of a development scheme, a significant health and safety failure or a poorly managed stock investment programme.</p>	<p>A significant health and safety failure, failure of a development scheme or adverse publicity regarding our stock investment programme could cause reputational damage to RHP Group. Depending upon the nature of the event this may lead to regulatory action being taken against the Group and the organisation becoming less attractive to funders and partners.</p> <p>As a result of the recent pandemic, there is an increased risk of insolvency of a key development partner and cashflow impact in order to finish a scheme.</p>	<p>Health and Safety activities are managed very closely with assurance provided to the Executive and Board through a range of measures.</p> <p>Our internal audit programme regularly reviews our internal controls across our business which in 2019/20 included:</p> <ul style="list-style-type: none"> ▶ Health and Safety ▶ Cyber security ▶ Procurement ▶ Core financial systems including payroll ▶ Development <p>Our development programme is managed by a skilled in-house team with the support of technical advisors as required. Procurement of contractors and consultants is robust, and we are reviewing our development partners business health on an ongoing basis. Our internal audit programme covers an aspect of our development function each year. Progress with our development programme is reported to our Executive Group monthly and our Group Investment Committee and Board on a quarterly basis.</p>
<p>External political, policy and economic environment.</p>	<p>An uncertain and rapidly changing political and policy environment and an increasing political focus on housing makes it more problematic for organisations to make long term investment decisions. Housing is high on the political agenda and continuing changes are likely.</p> <p>Current and prospective funders respond to uncertainty in the political and policy environment by increasing the costs for new funds or by reducing their appetite for lending/investing in the housing sector.</p>	<p>The Board receives briefings on the external policy environment on a timely basis with the Group Investment Committee (GIC) considering how emerging policies might impact upon plans to deliver new homes.</p> <p>RHP's annual treasury strategy considers the funding needs of the business in the context of wider market conditions with funds put in place well in advance of need in order to provide certainty for the development programme.</p>
<p>Finance and funding risks including those associated with breaches of funder covenants.</p>	<p>Failure to comply with banking covenants for existing debt and an inability to be able to secure new funding well in advance of need are key risks for the Group as this would inhibit our ability to build new homes.</p>	<p>Compliance with funder covenants are closely monitored and are reported within the monthly management accounts and quarterly reports to the Group Investment Committee. We are not anticipating any breach in banking covenants as a result of the recent pandemic, however have received exceptions to forward looking cashflow information requirements until such time that we have more economic certainty.</p> <p>Our debt portfolio and minimum cash balance requirements ensure that we have sufficient liquidity at low rates of interest to deliver our committed development ambitions and keep our business safe. New revolving credit facilities were put in place in 2019 and we sold our retained bond in September 2019 to ensure our development ambitions (committed and uncommitted) are supported through to 2022.</p> <p>Our strong underlying credit rating and broader investor base now provide greater diversification of funding options for the organisation going forward.</p>

STATEMENT OF THE RESPONSIBILITIES OF THE BOARD

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

The Co-operative and Community Benefit Society Act 2014 requires the Board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) including the financial reporting standard 'FRS 102'.

Under the Co-operative and Community Benefit Society Act 2014 the Board must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Group and Association for that period. In preparing these financial statements, the Board is required to:

- ▶ Select suitable accounting policies and then apply them consistently.
- ▶ Make judgments and accounting estimates that are reasonable and prudent.
- ▶ State whether applicable UK Accounting Standards and the Housing SORP 2018, Statement of Recommended Practice Registered Housing for registered social housing providers, have been followed, subject to any material departures disclosed and explained in the financial statements.
- ▶ Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The Board is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on RHP's website in accordance with UK legislation governing the preparation and dissemination of financial statements. This may vary from legislation in other jurisdictions. The Group Board's responsibilities extend to the maintenance and integrity of the corporate and financial information included on the Group's website.



Donations

The Group made no charitable or political donations during the year under review (2019: nil).

Going concern

The Board reviews RHP Group's business plan at least every 6 months and have been content that these plans were affordable and that the accounts should be prepared on a going concern basis.

However, the impact of the COVID-19 outbreak and its financial effect has meant that the Executive Team and Board have been reviewing revised financial plans for the next five years fortnightly reflecting updated economic information to ensure RHP Group can remain a going concern. RHP Group has modelled a number of scenarios based on current estimates of rent collection, property sales and maintenance and development spend. The Board will continue to review mitigation plans with the Executive Team to make the necessary changes to continue to work with our customers and stakeholders to deliver exceptional services.

The Government's decisions on social distancing have had a significant effect on our financial situation through a reduction in rental income collected and uncertainty in our cost base. This will not cause RHP Group to breach our bank covenants. The length of the COVID-19 outbreak and the measures taken by the Government to contain this are not known and outside of our control but we have put processes in place to manage cashflow on a weekly basis and review financial stability as matters progress.

Given the strength of the balance sheet and availability and liquidity of undrawn loan facilities, totalling £45m, the Board believe that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Group's ability to continue as a going concern. The Board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis.

The Group Board approves the RHP Group financial plan which is submitted annually to the Regulator in the form of a Financial Forecast Return (FFR). The Group Board is satisfied that the plan is robust and can maintain covenant compliance throughout. The plan can withstand composite risk events occurring without breaching lender covenants which confirms the future viability of the Group.

Statement of compliance

The strategic report has been prepared in accordance with applicable reporting standards and legislation. The Group Board also confirms that the Group has complied with the RSH's Governance and Financial Viability Standard throughout the period and up to the date of this report.

Auditor

All of the current Board members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the association's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue. A resolution for the re-appointment of BDO LLP as auditors of the Association is to be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The annual general meeting will be held via video conference on Thursday 18 July 2020.

The report of the Board was approved by the Board on 9 July 2020 and signed on its behalf by:



John Newbury
Group Chair

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF RHP

Opinion

We have audited the financial statements of Richmond Housing Partnership Limited (“the Association”) and its subsidiaries (“the Group”) for the year ended 31 March 2020 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in reserves, the consolidated 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).

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 2020 and of the Group’s and the Association’s surplus for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

GOING CONCERN

Key audit matter

As disclosed in note 1a, following the outbreak of COVID-19, and the resultant impact on the overall economy, management have considered the appropriateness of the going concern basis of preparation for the group as well as the parent entity. The Board's assessment of going concern involves a number of subjective judgements including rent collection, property sales and maintenance and development spend, which have been impacted by the current COVID-19 pandemic. We have therefore spent significant audit effort in assessing the appropriateness of the assumptions involved, and as such, this has been identified as a Key Audit Matter.

Our response to the key audit matter

Our audit response involved the following:

- ▶ Assessment of the internal forecasting process to confirm the projections are prepared by appropriate personnel who are aware of the detailed figures in the forecast but also have a high level understanding of the entity's market, strategy and profile in the customer base, and the potential impact that COVID-19 might have on these projections.
- ▶ Obtaining and assessing the availability of financing facilities, including the nature of facilities, repayment terms and financial covenants. We considered management's financial covenant compliance calculations through to September 2021 and concluded on the consistency of such calculations with the ratios stated in the relevant lender agreements.
- ▶ Consideration of the forecasts prepared by management and challenge of the key assumptions based on our knowledge of the business. As referred to in basis of preparation note, management have modelled reasonably possible downside scenarios to incorporate the expected impact of the COVID-19 pandemic. We have considered the appropriateness of the downside scenarios in respect of the impact of COVID-19 and challenged management to confirm that they have suitably addressed the inputs, which are most susceptible to change, including those in respect of revenue, margins and cost savings.
- ▶ We challenged management's assessment of reasonably possible scenarios on the impact of trading against actual trading results subsequent to the Government's lockdown instruction.
- ▶ We challenged management on the suitability of the mitigating actions identified in their assessment and the quantum and period ascribed to these mitigating actions. Scenarios modelled by management include a reverse stress test to analyse the current estimates of rent collection, property sales and maintenance and development spend that could be sustained without breaching banking covenants. We challenged the assumptions used and mitigating actions included within this scenario and reviewed the reverse stress test calculations.
- ▶ We considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure against the forecasts and stress test scenario.

Key observations:

Our key observations are set out in the conclusions related to going concern section of our audit report.

NET REALISABLE VALUE OF PROPERTY DEVELOPED FOR SALE

Key audit matter

As explained in the accounting policies, properties developed for sale, including shared ownership first tranches and properties developed for outright sale, are measured at the lower of cost and net realisable value resulting in an amount recognised in the balance sheet of £13,353,000. For properties in development at the balance sheet date, an assessment is needed of an anticipated selling price and a determination of the expected costs to complete.

Due to the volume of properties under construction and the level of judgement involved in estimating both selling price and costs to complete we considered there to be a significant risk that the carrying amount of properties developed for sale is misstated and was therefore a key audit matter.

Our response to the key audit matter

Having obtained management's assessment of the net realisable value of properties developed for sale, we tested this on a sample basis.

Our samples were chosen from the populations of items that represented both developments under construction as well as completed developments at year-end.

For a sample of completed properties, we agreed the amounts involved to supporting documentation where the property was sold post year-end. Where the property was not yet sold we obtained third-party housing market information to confirm that properties were held at the lower of cost and net realisable value.

For a sample of properties under development, we obtained details of the expected costs to complete from the scheme budget for that development and agreed the budgeted contracted cost of the development to the latest contract documentation. We examined supporting documentation for anticipated sales proceeds and we compared the incurred expenditure to the balance sheet date to the estimated amount at that date.

We also assessed the accuracy of cost forecasting by looking at outturn costs compared to budget on schemes that completed in the year.

Key observations:

Based on the evidence obtained we did not identify any indications that the assessments of the recoverable amount made by management were inappropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the financial statements as a whole to be £6,229,000 (2019 - £6,110,000) which represents 1.5% of total assets (2019 - 1.5% of total assets).

We also apply a specific materiality level for all items comprising operating profit (including related disclosures) as that term is defined for the purposes of the entity's lending covenants. This therefore involves adjusting operating profit for depreciation, amortisation, capitalised major works and the net profit/loss on non-outright sale properties. The specific materiality level that we applied was £1,523,000 (2019 - £2,068,000), which is 7.5% of adjusted operating profit (2019 - 7.5%).

We used total assets and adjusted operating profit as our chosen benchmarks to determine materiality and for specific materiality as these are considered to be the areas of the financial statements of greatest interest to the principal users of the financial statements and the areas which will have greatest impact on investor and lender decisions.

Materiality for the parent company was set at £6,075,000 (2019 - £5,815,000) with a specific materiality set at £1,427,000 (2019 - £1,970,000).

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 75% (2019 - 75%) of materiality or specific materiality depending on the financial statement area being audited. In setting the level of performance materiality, We considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

We agreed with the Audit Committee that misstatements in excess of £249,000 for areas considered using financial statement materiality and £61,000 for areas considered using specific materiality (2019 - £122,000 / £41,000), which were identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting component in the Group by reference to both its financial significance and other indicators of audit risk, such as the complexity of operations and the degree of estimation and judgement in the financial results.

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

The extent to which the audit is capable of detecting irregularities is affected by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud usually are inherently more difficult to detect than irregularities that result from error.

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We considered the Association's compliance with laws and regulations that have a direct impact on the financial statements such as the Co-operative and Community Benefit Societies Act 2014 (and related Directions and regulations), the Housing and Regeneration Act 2008 and other laws and regulations applicable to a registered social housing provider in England. We also considered the risks of non-compliance with the other requirements imposed by the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the group financial statements.

We designed audit procedures at Group and significant component level to respond to the risk, 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 or intentional misrepresentations, or through collusion.

Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries of the Board and of management and enquiries of third parties, where information from that third party has been used by the Association in the preparation of the financial statements.

There are inherent limitations in the audit procedures described above 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 would become aware of it. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Board that represented a risk of material misstatement due to fraud.

Classification of components

Audit work on all components was performed by BDO UK, both for the purposes of reporting on the individual financial statements and for group/consolidation purposes.

RHP Finance Plc was identified as a significant component due to its risk characteristics.

The materiality level for RHP Finance Plc was set by reference to revenue (the entity on lends funds raised in the capital markets to group companies and therefore the revenue generated from these activities is the area that will have greatest impact on decisions made by users of the accounts) and determined to be £69,000 (2019 - £45,000), which represents 1.5% revenue (2019 - 1.0% of revenue).

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the statement of responsibilities of the Board, set out on page 34, 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 is responsible for assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Other matters

Following the recommendation of the audit committee, we were appointed by the Board on 16 March 2017 to audit the financial statements for the year ending 31 March 2017 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ending 31 March 2017 to 31 March 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

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



Elizabeth Kulczycki, Senior Statutory Auditor

For and on behalf of BDO LLP, Statutory Auditor

Gatwick

United Kingdom

Date: 13 August 2020

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

STATEMENTS AND NOTES



Statement of Comprehensive Income

FOR THE YEAR TO 31 MARCH 2020

	Note	GROUP		ASSOCIATION	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Turnover	2	58,079	58,155	55,150	55,273
Cost of sales	2	(1,130)	(2,089)	(1,130)	(2,089)
Operating costs	2	(37,359)	(35,778)	(35,341)	(33,826)
Gain on sale of fixed assets	2,5	2,905	679	2,520	679
Operating surplus	2	22,495	20,967	21,199	20,037
Interest receivable and other income	7	102	86	114	105
Interest payable	8	(18,714)	(7,935)	(18,677)	(7,898)
Movement in fair value of investment properties	15	4	21	4	21
Surplus before tax		3,887	13,139	2,640	12,265
Taxation	11	-	-	-	-
Surplus for the year		3,887	13,139	2,640	12,265
Actuarial gain/(loss) on pensions	9	3,427	(2,690)	2,967	(2,383)
Total comprehensive income for the year		7,314	10,449	5,607	9,882

The consolidated results relate wholly to continuing activities.

The notes on pages 58 to 98 form part of these financial statements.

Statement of Financial Position

AS AT 31 MARCH 2020

FIXED ASSETS	Note	GROUP		ASSOCIATION	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Tangible fixed assets - housing properties	12	387,451	364,848	367,299	344,468
Other tangible fixed assets	13	6,622	7,125	6,583	7,093
Intangible fixed assets	14	1,475	1,077	1,475	1,077
Investment properties	15	7,401	6,981	7,401	6,981
Investments in subsidiaries	16	-	-	13	13
		402,949	380,031	382,771	359,632
CURRENT ASSETS					
Properties held for sale	17	13,648	12,521	13,648	12,521
Trade and other debtors	18	3,991	4,148	5,017	5,128
Cash and cash equivalents		7,090	10,548	5,796	10,377
		24,729	27,217	24,461	28,026
Creditors: amounts falling due within one year	19	(19,779)	(20,720)	(19,080)	(19,852)
Net current assets		4,950	6,497	5,381	8,174
Total assets less current liabilities		407,899	386,528	388,152	367,806
Creditors: amounts falling due after more than one year	20	(281,613)	(263,985)	(271,248)	(253,443)
Provision for liabilities	27	(97)	(102)	-	-
Net pension liability	9	(5,680)	(9,246)	(5,392)	(8,458)
Total net assets		120,509	113,195	111,512	105,905
RESERVES					
Share capital	28	-	-	-	-
Income and expenditure reserve		120,509	113,195	111,512	105,905
Total reserves		120,509	113,195	111,512	105,905

The notes on pages 58 to 98 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of directors on 9 July 2020 and signed on its behalf by:



John Newbury
Chair



Christopher Ling
Chair of Group
Audit Committee



David Done OBE
Chief Executive



Lucy Graley
Company Secretary

Statement of Changes in Reserves

FOR THE REPORTING DATE TO 31 MARCH 2020

	GROUP Income and expenditure reserve £'000
Restated balance at 31 March 2018	102,746
Surplus for the year	13,139
Actuarial loss on defined benefit pension scheme	(2,690)
Balance at 31 March 2019	113,195
Surplus for the year	3,887
Actuarial gain on defined benefit pension scheme	3,427
Balance at 31 March 2020	120,509

	ASSOCIATION Income and expenditure reserve £'000
Restated balance at 31 March 2018	96,023
Surplus for the year	12,265
Actuarial loss on defined benefit pension scheme	(2,383)
Balance at 31 March 2019	105,905
Surplus for the year	2,640
Actuarial gain on defined benefit pension scheme	2,967
Balance at 31 March 2020	111,512

The notes on pages 58 to 98 form part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2020

	2020 £'000	2019 £'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating surplus for the year	22,495	20,967
Depreciation charges and impairment	7,033	7,647
(Increase) in properties for sale	(772)	(5,935)
Decrease/(Increase) in debtors	158	(165)
Difference between net pension expense and cash contribution	(139)	(102)
Release of social housing grant	(448)	(387)
Increase in creditors	(364)	4,633
Dilapidations released	(6)	-
Net cash generated from operating activities	27,957	26,658
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase and improvement of housing properties	(27,699)	(42,965)
Social housing grant received	4,912	3,297
Purchase of other fixed assets	(968)	(933)
	(23,755)	(40,601)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest received	102	86
Interest paid	(20,715)	(9,609)
Drawdown of loans	86,953	12,816
Repayments of borrowings	(74,000)	-
	(7,660)	3,293
Net change in cash and cash equivalents	(3,458)	(10,650)
Cash and cash equivalents at the beginning of the year	10,548	21,198
Cash and cash equivalents at the end of the year	7,090	10,548

The notes on pages 58 to 98 form part of these financial statements.

Notes to the Financial Statements for the reporting date 31 March 2020

Legal status

RHP is a Public Benefit Entity, registered in the United Kingdom under the Co-operative and Community Benefit Societies Act 2014 (No IPO30939) and with the Regulator of Social Housing (L4279) as a social housing provider.

1a. 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 RHP includes the Co-operative and Community Benefit Societies Act 2014 (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 2018, the Accounting Direction for Private Registered Providers of Social Housing 2019.

The accounts are prepared under the historical cost basis except for the modification to a fair value basis for certain financial instruments and investment properties as specified in the accounting policies below.

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.

The Board is satisfied that the current accounting policies are the most appropriate for the Group.

The financial statements are presented in Sterling (£).

Parent company disclosure exemptions

In preparing the financial statements of the parent company, the Association has taken advantage of the following disclosure exemptions available under 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 Association would be identical
- ▶ no cash flow statement has been presented for the Association
- ▶ disclosures in respect of the Association'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 Association as their remuneration is included in the totals for the Group as a whole.

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements of the RHP Group incorporate the financial statements of RHP, Co-op Homes (South) Limited, another community benefit entity, RHP Finance Plc, a public limited company registered on the London Stock Exchange, RHP Property Ltd and RHP Develop Ltd as if they were a single entity. Intercompany transactions and balances between companies are eliminated in full.

Going concern

The Board reviews RHP Group's business plan at least every 6 months and have been content that these plans were affordable and that the accounts should be prepared on a going concern basis.

However, the impact of the COVID-19 outbreak and its financial effect has meant that the Executive Team and Board have been reviewing revised financial plans for the next five years fortnightly reflecting updated economic information to ensure RHP Group can remain a going concern. RHP Group has modelled a number of scenarios based on current estimates of rent collection, property sales and maintenance and development spend. The Board will continue to review mitigation plans with the Executive Team to make the necessary changes to continue to work with our customers and stakeholders to deliver exceptional services.

The Government's decisions on social distancing have had a significant effect on our financial situation through a reduction in rental income collected and uncertainty in our cost base. This will not cause RHP Group to breach our bank covenants. The length of the COVID-19 outbreak and the measures taken by the Government to contain this are not known and outside of our control but we have put processes in place to manage cashflow on a weekly basis and review financial stability as matters progress.

Turnover

Turnover comprises rental income receivable in the year, net of rent and service charge losses from voids, proceeds from shared ownership first tranche sales measured at the fair value of the consideration received or receivable, sales of properties built for sale and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

1a. Accounting Policies (continued)

Government grants are accounted for using the accrual method and non-government grants are accounted for using the performance method. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Operating Segments

There are publically traded securities within the Group and therefore a requirement to disclose information about the Group operating segments under IFRS8. Segmental information is disclosed in note 3 and as part of the analysis of housing properties in note 12. Information about income, expenditure and assets attributable to material operating segments are presented on the basis of the nature and function of housing assets held by the Group rather than geographical locations. As permitted by IFRS 8 this is appropriate on the basis of the similarity of the services provided, the nature of the risks associated, the type and class of customer and the nature of the regulatory environment across all of the geographical locations in which the Group operates. The Group Board do not routinely receive segmental information disaggregated by geographical location.

Tax

The tax expense for the period comprises current and deferred tax. 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 tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

VAT

RHP and Co-op Homes are registered as a VAT group. A large proportion of RHP's income comprises rental income, which is exempt for VAT purposes and gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT. Recoverable VAT arising from partially exempt activities is credited to the consolidated Statement of Comprehensive Income.

Employee benefits

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are shown as an operating expense in the surplus for the year during which the services are rendered by employees.

The Group participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Wandsworth Council Pension Fund (WCPF) (Previously London Borough of Richmond Pension Fund (LBRPF)).

There are 3 schemes provided by SHPS, final salary defined benefit (now closed to new entrants), career average (CARE) and defined contribution; the latter two schemes are still open to new members.

RHP was part of the London Borough of Richmond Upon Thames Pension Fund which has now merged with the Wandsworth Council Pension Fund, and so Richmond Housing Partnership participates in the merged Wandsworth Council Pension Fund. The WCPF is now closed to future accrual.

The employer contributions in respect of the defined contribution scheme are charged to the statement of comprehensive income as they are incurred.

For financial years ending on or after 31 March 2019, sufficient information is available to account for the obligations in SHPS on a defined benefit basis. The defined benefit schemes provided by SHPS and WCPF are accounted for using defined benefit accounting.

Scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the Statement of Financial Position. Under defined benefit accounting, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income.

1a. Accounting Policies (continued)

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

Housing properties

Housing properties which are either constructed or acquired are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest capitalised during the development period, directly attributable administration costs and expenditure incurred in improving or reinvesting in existing properties.

Housing properties for rent are split between land, structure and major components with a substantially different economic life. Housing properties in the course of construction are stated at cost and are not depreciated. They are transferred to completed properties when they are ready for letting or sale.

Shared ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset. The fixed asset portion is split between land and structure as the rights and obligations towards improving the property reside with the resident.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. Only the direct overhead costs associated with new developments or improvements are capitalised. All other repair and replacement expenditure is charged to the Statement of Comprehensive Income.

Gains and losses on disposals of housing properties are determined by comparing the proceeds with the carrying amount and incidental costs of sales and recognised within gain/loss on disposal of fixed assets in the consolidated statement of comprehensive income.

Interest on borrowings is capitalised to housing properties during the course of construction up to the date of completion of each scheme. Where housing properties are in the course of construction, finance costs are only capitalised where construction is on-going and has not been interrupted or terminated. For the period ending 31 March 2020, interest has been capitalised at an average rate of 3.57% (2019: 4.07%) which reflects the weighted average effective interest rate on the Group's borrowing.

Depreciation of Housing Properties

Freehold land is not depreciated on account of its indefinite useful economic life. Depreciation is charged on a straight-line basis over the expected economic useful lives of each component part of housing properties.

The portion of shared ownership property retained or expected to be retained is not depreciated on account of the high residual value. Neither the depreciable amount nor the expected annual depreciation charge for such assets is considered material, individually or in aggregate.

The Group's housing properties held on leases are amortised over the life of the lease or their estimated useful lives in the business if shorter. 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 on a straight-line basis as follows:

Structure	100 years
Kitchens and doors	20 years
Bathroom and windows	30 years
Central Heating and sprinklers	15 years
Electrical and water tanks	40 years
Lifts	25 years
Roofs	50 years

Donated Land

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.

Other Tangible Fixed Assets

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.

Notes to the Financial Statements for the reporting date 31 March 2020

1a. Accounting Policies (continued)

Depreciation is provided on a straight-line basis on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives which are as follows:

Office Building	95 years
Furniture, fixtures and fittings	8 years
Computers and office equipment	3 to 7 years
Motor vehicles	3 years

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus / deficit for the year.

Intangible Fixed Assets

Intangible fixed assets are stated at cost less amortisation. Amortisation is provided on a straight-line basis on the cost of software to write them down to their estimated residual values over the expected useful lives of 3 to 7 years.

Investment Properties

Investment properties consist of commercial properties (shops) and other properties (rental space in main office building) not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently 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.

Under the original section 16, FRS102 required the Association to account for the floor space that its subsidiary, Co-op Homes (South) Limited, occupies at 8 Waldegrave Road as a tangible fixed asset. RHP has elected to account for the floor space as a tangible fixed asset in both the Association and Group accounts and to use the historical cost and depreciate as if the amount was always held at cost in both the Association and Group financial statements.

Investment in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment. RHP holds 50,000 £1 ordinary shares in RHP Finance Plc, part subscribed at 25p. RHP holds 1 £1

ordinary share in RHP Develop Limited and RHP Property Limited. There is an inter-company loan facility totalling £8.5m between RHP and Co-op Homes. The facility is revolving in nature and is secured via a floating charge across the assets of Co-op Homes. The facility has a fixed term to 2031.

Properties for Sale 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 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 Property Plant and Equipment and included in completed housing property at cost less any provision for impairment.

Sales of subsequent tranches are treated as a part disposal of property and included in operating surplus. 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.

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.

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.

Financial Instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial Instruments are initially recorded at transaction price less issue costs. Subsequent measurement depends on the designation of the instrument as follows: Bonds, loans, short term borrowings and overdrafts are held at amortised cost where they meet the relevant criteria of section 11 of FRS102.

1a. Accounting Policies (continued)

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at the undiscounted value of amounts expected to be received. Any losses arising from impairment are recognised in the income statement in other operating expenses.

On 28 February 2020, we refinanced the full outstanding £74m loan facility with Dexia using our available revolving credit facilities.

Cash

Cash and cash equivalents in the Group's Consolidated Statement of Financial Position consists of cash at bank, in hand, and deposits accounts with instant access.

Social Housing Grant

Social housing grant (SHG) is receivable from the Greater London Authority (GLA). Grants received for housing properties are recognised as income over the useful life of the housing property structure and, where applicable, its individual components (excluding land).

SHG due from the GLA or received in advance is included as a current asset or liability. SHG is subordinated to the repayment of loans by agreement with the GLA. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grants Fund and included in the balance sheet in creditors.

Other Grants

Other grants include grants from local authorities. Grants in respect of revenue expenditure are credited to other comprehensive income when performance conditions are met, or entitlement occurs.

Provisions

The Group has recognised provisions for liabilities of uncertain timing or amounts including those for major repairs on stock transfers, 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.

Co-op Homes leases for temporary social housing properties contain repair covenants relating to the upkeep of the properties. These lease covenants can give rise to dilapidation works or claims during or at the end of the related lease.

Co-op Homes accounts for these costs in accordance with FRS 102 (provisions and contingencies) which requires a provision to be recognised when there is an obligation at the reporting date regarding works or repairs at the related property.

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.

1b. Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Impairment

In considering whether there is an impairment of the Group's tangible and intangible assets, factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of larger cash generating unit, the viability and expected future performance of that unit.

Management 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. Management have also considered impairment based on their assumptions to define cash or asset generating units.

Due to the insolvency of the original developer on our scheme at Staines Road, we have carried out an ongoing review of impairment in accordance with FRS102. The impairment calculation is carried out on the units according to their tenure as this was the smallest identifiable group of assets within the scheme (each tenure deemed to be a cash generating activity in accordance with FRS102). The recoverable amount of an asset is considered by FRS102 to be the higher of its value in use and its fair value less costs to sell.

There was an impairment in the 2017/18 accounts of £1.2m and in the 2018/19 accounts of £0.5m. A review has been performed relating to the performance of the development in 2019/20 and a valuation at December 2019 determined that the MV-VP of the shared ownership units and the indicative EUV-SH valuation of the rented units were higher than the carrying values, resulting in no further impairment.

1b. Significant judgements and estimates (continued)

Loan classification

The Dexia loan was repaid in the year. In the prior year we accounted for the Dexia loan (not including the cancellable element) as a basic financial instrument on the basis that we consider any fixed rate debt with two-way early redemption indemnity clauses to be held long term as per our strategy and to be non-speculative.

Dexia (the lender) had an option to cancel the interest rates on two tranches of the loan to RHP at certain fixed points in the future; as a result, did not meet the requirements of section 11.9 of FRS 102. The addition of paragraph 11.9A to section 11 of the standard means that the Dexia bank loan met this principle-based description and was classified as non-basic financial instrument and is therefore held at cost.

The bond is also classified as a basic financial instrument as per Section 11, Financial Reporting Standard 102 (FRS 102). The bond will be held long term, is non-speculative, and has a positive fixed interest rate.

After the amounts are recognised at the initial transaction price, these loans are measured at amortised cost.

Useful lives of depreciable assets

Management reviews its estimates of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent home standards which may require more frequent replacement of key components. The capital expenditure to retrofit sprinklers our extra care scheme at Dean Road has been created with a useful life of 15 years.

Fair value measurement - investment properties

Applying section 16.2 Financial Reporting Standard 102 (FRS 102), tenants of the main head office and of the small portfolio of commercial units are held for rental and are therefore classified as investment properties.

After recognising the properties at their initial cost, each reporting period requires the properties to be measured at fair value. Management instruct a reputable valuation firm to carry out their assessment of value with any movement being recognised in other comprehensive income. The fair value of investment properties was £7.4m at 31 March 2020 (2019: £7m).

Under section 16, FRS102 required RHP to account for the floor space that Co-op Homes occupy at 8 Waldegrave Road as an investment property. An adjustment was required to the Group accounts to account for this floor space as a tangible fixed asset.

The floor space occupied by Co-op homes is treated as a tangible fixed asset in both the Association and Group financial statements and held at depreciated cost.

Due to the outbreak of COVID-19, the professional valuers used to value the investment properties as at the valuation date, have highlighted material valuation uncertainty in the valuation report as per VPS 3 and VPGA 10 of the RICS Red Book Global. Therefore less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. Consequently, less certainty - and a higher degree of caution - should be attached to valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we will keep the valuation of these properties under frequent review in 2020/21.

Shared ownership

Our shared ownership viability assessments assume a first tranche portion based on the number of bedrooms. We complete a sensitivity analysis on each property to ensure that the homes are affordable. This means that in higher value areas we may need to reduce the assumed first tranche sale percentage in order to ensure that the homes meet the affordability criteria of the relevant local authority or the GLA's income caps. The resulting reduction in income is modelled to ensure that the scheme remains viable within RHP's approved financial parameters. If not, we will amend our offer for the scheme prior to submission to the developer or landowner.

Recovery of properties developed for sale

Properties developed for sale are carried on the statement of financial position at the lower of cost or net realisable value. Cost is taken as the production cost which includes an appropriate proportion of attributable overheads. Net realisable value is based on estimated sale proceeds after allowing for further costs to completion and selling costs.

Pensions

Key judgements have been made in respect of the critical underlying assumptions in relation to the estimate of the SHPS and LGPS defined benefit scheme obligations such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.

Notes to the Financial Statements (continued)

2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING EXPENDITURE AND OPERATING SURPLUS

GROUP 2020	Turnover £'000	Cost of sales £'000	Operating costs £'000	Gain on sale of fixed assets £'000	Operating surplus/ (deficit) £'000
Social housing lettings	51,656	-	(32,580)	-	19,076
Other social housing activities					
Leasehold services	1,510	-	(1,720)	-	(210)
Leasehold major repairs	387	-	(845)	-	(458)
First tranche shared ownership sales	1,882	(1,130)	-	-	752
Development	-	-	(449)	-	(449)
Garages	927	-	(209)	-	718
Management fees	858	-	(755)	-	103
Other	89	-	(189)	-	(100)
RTA/RTB property sales	-	-	-	2,905	2,905
	57,309	(1,130)	(36,747)	2,905	22,337
Non-social housing activities					
Commercial	770	-	(612)	-	158
Total	58,079	(1,130)	(37,359)	2,905	22,495

GROUP 2019	Turnover £'000	Cost of sales £'000	Operating costs £'000	Gain on sale of fixed assets £'000	Operating surplus/ (deficit) £'000
Social housing lettings	50,845	-	(31,014)	-	19,831
Other social housing activities					
Leasehold services	1,611	-	(1,675)	-	(64)
Leasehold major repairs	341	-	(773)	-	(432)
First tranche shared ownership sales	2,684	(2,089)	-	-	595
Development	-	-	(654)	-	(654)
Garages	985	-	(173)	-	812
Management fees	909	-	(778)	-	131
Other	(53)	-	(181)	-	(234)
RTA/RTB property sales	-	-	-	679	679
	57,322	(2,089)	(35,248)	679	20,664
Non-social housing activities					
Commercial	833	-	(530)	-	303
Total	58,155	(2,089)	(35,778)	679	20,967

Notes to the Financial Statements (continued)

2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING EXPENDITURE AND OPERATING SURPLUS

	Turnover £'000	Cost of sales £'000	Operating costs £'000	Gain on sale of fixed assets £'000	Operating surplus/ (deficit) £'000
ASSOCIATION 2020					
Social housing lettings	49,509	-	(31,363)	-	18,146
Other social housing activities					
Leasehold services	1,510	-	(1,720)	-	(210)
Leasehold major repairs	387	-	(845)	-	(458)
First tranche shared ownership sales	1,882	(1,130)	-	-	752
Development	-	-	(449)	-	(449)
Garages	927	-	(209)	-	718
Other	165	-	(143)	-	22
RTA/RTB property sales	-	-	-	2,520	2,520
	54,380	(1,130)	(34,729)	2,520	21,041
Non-social housing activities					
Commercial	770	-	(612)	-	158
Total	55,150	(1,130)	(35,341)	2,520	21,199

	Turnover £'000	Cost of sales £'000	Operating costs £'000	Gain on sale of fixed assets £'000	Operating surplus/ (deficit) £'000
ASSOCIATION 2019					
Social housing lettings	48,702	-	(29,888)	-	18,814
Other social housing activities					
Leasehold services	1,611	-	(1,675)	-	(64)
Leasehold major repairs	341	-	(773)	-	(432)
First tranche shared ownership sales	2,684	(2,089)	-	-	595
Development	-	-	(654)	-	(654)
Garages	985	-	(173)	-	812
Other	117	-	(133)	-	(16)
RTA/RTB property sales	-	-	-	679	679
	54,440	(2,089)	(33,296)	679	19,734
Non-social housing activities					
Commercial	833	-	(530)	-	303
Total	55,273	(2,089)	(33,826)	679	20,037

Notes to the Financial Statements (continued)

3. INCOME & EXPENDITURE FROM SOCIAL HOUSING LETTINGS

GROUP	General needs housing £'000	Affordable housing £'000	Key workers £'000	Temporary housing £'000	Supported housing £'000	Shared ownership £'000	2020 Total £'000	2019 Restated Total £'000
Rents receivable net of identifiable service charges	37,039	7,263	673	22	2,263	359	47,619	46,962
Service & other charges receivable	2,386	13	34	1	1,028	77	3,539	3,444
Charges for support services	-	-	-	-	52	-	52	52
Amortised government grants	216	174	2	-	45	9	446	387
Turnover from social housing lettings	39,641	7,450	709	23	3,388	445	51,656	50,845
Management	(6,206)	(805)	(94)	(24)	(404)	(132)	(7,665)	(6,924)
Service charge costs	(4,283)	(556)	(65)	(1)	(1,185)	(91)	(6,181)	(5,463)
Rents payable	-	-	-	(15)	-	-	(15)	(14)
Routine maintenance	(3,252)	(412)	(48)	(15)	(222)	(67)	(4,016)	(3,641)
Planned maintenance	(3,210)	(436)	(51)	-	(216)	(71)	(3,984)	(4,757)
Major repairs expenditure	(2,711)	(372)	(43)	-	(184)	(26)	(3,336)	(2,637)
Bad debts	(357)	(46)	(5)	(5)	(23)	(8)	(444)	(18)
Depreciation	(4,607)	(1,380)	(68)	-	(567)	(10)	(6,632)	(6,997)
Accelerated depreciation	(223)	(6)	(2)	-	(54)	-	(285)	(543)
Other costs	(17)	-	-	(5)	-	-	(22)	(20)
Operating costs on social housing lettings	(24,866)	(4,013)	(376)	(65)	(2,855)	(405)	(32,580)	(31,014)
Operating surplus/ (deficit) for social housing lettings	14,775	3,437	333	(42)	533	40	19,076	19,831
Void losses	(129)	(265)	(4)	(3)	(27)	(3)	(431)	(565)

Notes to the Financial Statements (continued)

3. INCOME & EXPENDITURE FROM SOCIAL HOUSING LETTINGS

ASSOCIATION	General needs housing £'000	Affordable housing £'000	Key workers £'000	Supported housing £'000	Shared ownership £'000	2020 Total £'000	2019 Restated Total £'000
Rents receivable net of identifiable service charges	35,182	7,263	673	2,263	358	45,739	45,083
Service & other charges receivable	2,254	13	34	1,028	77	3,406	3,314
Charges for support services	-	-	-	52	-	52	52
Amortised government grants	82	174	2	45	9	312	253
Turnover from social housing lettings	37,518	7,450	709	3,388	444	49,509	48,702
Management	(5,909)	(805)	(94)	(404)	(132)	(7,344)	(6,722)
Service charge costs	(4,159)	(556)	(65)	(1,185)	(91)	(6,056)	(5,360)
Routine maintenance	(3,007)	(412)	(48)	(222)	(67)	(3,756)	(3,366)
Planned maintenance	(3,181)	(436)	(51)	(216)	(71)	(3,955)	(4,688)
Major repairs expenditure	(2,711)	(372)	(43)	(184)	(26)	(3,336)	(2,637)
Bad debts	(336)	(46)	(5)	(23)	(8)	(418)	6
Depreciation	(4,189)	(1,379)	(68)	(567)	(10)	(6,213)	(6,578)
Accelerated depreciation	(223)	(6)	(2)	(54)	-	(285)	(543)
Operating costs on social housing lettings	(23,715)	(4,012)	(376)	(2,855)	(405)	(31,363)	(29,888)
Operating surplus for social housing lettings	13,803	3,438	333	533	39	18,146	18,814
Void losses	(126)	(265)	(4)	(27)	(3)	(425)	(536)

Notes to the Financial Statements (continued)

4. UNITS OF HOUSING STOCK

At the end of the period, accommodation in management for each class of accommodation in the Group and the Association was as follows:

GROUP	Opening balance	Additions	Disposals	Change in use	2020 Closing balance
Social housing - managed directly					
General needs housing	6,053	-	(10)	1	6,044
Affordable housing	716	62	-	10	788
Keyworkers	102	-	-	(1)	101
Supported housing	421	-	(30)	-	391
Shared ownership	78	54	(3)	-	129
Total units in ownership	7,370	116	(43)	10	7,453
Accommodation managed on behalf of others	995	-	(22)	-	973
Accommodation managed on our behalf	46	-	-	(9)	37
Total units managed or owned	8,411	116	(65)	1	8,463
Leasehold	1,996	7	(5)	-	1,998
Total units in management (including Leasehold)	10,407	123	(70)	1	10,461

ASSOCIATION	Opening balance	Additions	Disposals	Change in use	2020 Closing balance
Social housing - managed directly					
General needs housing	5,752	-	(9)	1	5,744
Affordable housing	716	62	-	10	788
Keyworkers	102	-	-	(1)	101
Supported housing	421	-	(30)	-	391
Shared ownership	78	54	(3)	-	129
Total units in ownership	7,069	116	(42)	10	7,153
Accommodation managed on behalf of others	19	-	-	-	19
Accommodation managed on our behalf	46	-	-	(9)	37
Total units managed or owned	7,134	116	(42)	1	7,209
Leasehold	1,996	7	(5)	-	1,998
Total units in management (including Leasehold)	9,130	123	(47)	1	9,207

Notes to the Financial Statements (continued)

5. SURPLUS ON SALE OF FIXED ASSETS

GROUP	Shared ownership staircasing £'000	Right to buy £'000	Right to acquire £'000	Other £'000	2020 Total £'000	2019 Total £'000
Housing properties:						
Disposal proceeds	643	715	653	3,613	5,624	2,704
Amounts payable to LBRuT under RTB sharing agreement and trust deed	-	(624)	-	(1,230)	(1,854)	(1,779)
Cost of disposals	(315)	(62)	(36)	(369)	(782)	(238)
Selling costs	(4)	(2)	(1)	(76)	(83)	(8)
Surplus	324	27	616	1,938	2,905	679

ASSOCIATION	Shared ownership staircasing £'000	Right to buy £'000	Right to acquire £'000	Other £'000	2020 Total £'000	2019 Total £'000
Housing properties:						
Disposal proceeds	643	715	653	3,086	5,097	2,704
Amounts payable to LBRuT under RTB sharing agreement and trust deed	-	(624)	-	(1,230)	(1,854)	(1,779)
Cost of disposals	(315)	(62)	(36)	(251)	(664)	(238)
Selling costs	(4)	(2)	(1)	(52)	(59)	(8)
Surplus	324	27	616	1,553	2,520	679

Notes to the Financial Statements (continued)

6. OPERATING SURPLUS

This is arrived at after charging:

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Depreciation of housing properties	6,386	6,328	5,968	5,909
Accelerated depreciation on component replacements	642	533	548	431
Depreciation of other tangible fixed assets	383	381	383	365
Amortisation of intangible fixed assets	371	402	371	402
Impairment of housing properties	-	536	-	536
Operating lease rentals				
- Land and buildings	15	14	-	-
- Vehicles	55	51	55	51
- Office equipment and computers	60	63	60	63
Auditors' remuneration (excluding VAT)				
- For audit of statutory accounts	56	58	42	46
- For service charge audit	10	9	10	9
- For other assurance services	8	5	8	5

7. INTEREST RECEIVABLE & OTHER SIMILAR INCOME

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Interest receivable and other similar income	102	86	114	105

8. INTEREST PAYABLE

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Loans and bank overdrafts	9,364	9,299	9,344	9,278
Loan break costs	11,000	-	11,000	-
Disposal Proceeds Fund (Note 22)	11	6	11	6
Interest charge on pensions	147	231	130	215
Amortised finance costs	204	79	204	79
	20,726	9,615	20,689	9,578
Interest capitalised on construction of housing properties (Note 12,17)	(2,012)	(1,680)	(2,012)	(1,680)
Total	18,714	7,935	18,677	7,898

Notes to the Financial Statements (continued)

9. EMPLOYEES

	GROUP		ASSOCIATION	
	2020	2019	2020	2019
Average monthly number of employees:				
Administration	108	91	87	70
Development	12	9	12	9
Housing, support and care	151	145	151	145
Total	271	245	250	224
Average monthly number of employees expressed in full time equivalents:				
Administration	101	85	81	65
Development	12	9	12	9
Housing, support and care	141	136	141	136
Total	254	230	234	210

Full time equivalents are calculated based on a standard working week of 36 hours.

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
EMPLOYEE COSTS				
Wages and salaries	8,785	8,268	8,032	7,507
Social security costs	825	772	745	695
Other pension costs	1,214	997	1,104	913
Total employee costs	10,824	10,037	9,881	9,115

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
PENSIONS COSTS				
Regular employer contributions to SHPS and WCPF	653	443	574	417
Pension deficit payments to SHPS and WCPF	561	554	530	496
Total pensions costs	1,214	997	1,104	913

Notes to the Financial Statements (continued)

9. EMPLOYEES (CONTINUED)

PENSIONS COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Derecognition of liability for present value of SHPS deficit agreement	-	2,864	-	2,359
Initial recognition of SHPS pension liability	-	(5,331)	-	(4,683)
Actuarial gain/(loss) on SHPS pension	3,570	(1,196)	3,110	(1,032)
Actuarial gain/(loss) on WCPF pension	(143)	973	(143)	973
Total pensions costs	3,427	(2,690)	2,967	(2,383)

The Association's employees are members of the Social Housing Pension Scheme (SHPS) or of the Wandsworth Council Pension Fund (WCPF) (formerly London Borough of Richmond Pension Fund (LBRPF)). The employees of our subsidiary are members of the SHPS. Further information on each scheme is given below.

Social Housing Pension Scheme

Defined Contribution Pension Scheme

Employer contributions in respect of this scheme are charged to the Statement of Comprehensive Income as incurred.

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Employer contributions	253	230	223	200

Defined Benefit Pension Scheme

The company 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.

Notes to the Financial Statements (continued)

9. EMPLOYEES (CONTINUED)

For financial years ending on or before 28 February 2019, it was not possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme. For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive. The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus. Similarly, an actuarial valuation of the scheme was carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive.

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Fair value of plan assets	17,869	17,327	15,329	14,750
Present value of defined benefit obligation	(20,550)	(23,720)	(17,722)	(20,355)
Scheme deficit	(2,681)	(6,393)	(2,393)	(5,605)
Net defined benefit liability to be recognised	(2,681)	(6,393)	(2,393)	(5,605)

Notes to the Financial Statements (continued)

9. EMPLOYEES (CONTINUED)

	GROUP	ASSOCIATION
RECONCILIATION OF OPENING AND CLOSING BALANCE OF THE DEFINED BENEFIT OBLIGATION	2020	2020
	£'000	£'000
Defined benefit obligation at start of period	23,720	20,355
Current service cost	538	473
Expenses	23	19
Interest expense	550	474
Contributions by plan participants	272	239
Actuarial losses/(gains) due to scheme experience	(4)	184
Actuarial losses/(gains) due to changes in demographic assumptions	(196)	(165)
Actuarial losses/(gains) due to changes in financial assumptions	(2,846)	(2,519)
Benefits paid and expenses	(1,507)	(1,338)
Defined benefit obligation at end of period	20,550	17,722

	GROUP	ASSOCIATION
RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS	2020	2020
	£'000	£'000
Fair value of plan assets at start of period	17,327	14,750
Interest income	403	344
Gain on plan assets (excluding amounts included in interest income)	524	610
Contributions by the employer	850	724
Contributions by plan participants	272	239
Benefits paid and expenses	(1,507)	(1,338)
Fair value of plan assets at end of period	17,869	15,329

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £954k (2019: £589k) (RHP) and £981k (2019: £722k) (Group).

Notes to the Financial Statements (continued)

9. EMPLOYEES (CONTINUED)

	GROUP	ASSOCIATION
DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCl)	2020 £'000	2020 £'000
Current service cost	538	473
Expenses	23	19
Net interest expense	147	130
Defined benefit costs recognised in statement of comprehensive income (SoCl)	708	622

	GROUP	ASSOCIATION
DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME	2020 £'000	2020 £'000
Gain on plan assets (excluding amounts included in net interest cost)	524	610
Experience gains/(losses) arising on the plan liabilities	4	(184)
Gains arising from changes in the demographic assumptions	196	165
Gains arising from changes in the financial assumptions	2,846	2,519
Total gain recognised in other comprehensive income	3,570	3,110

Notes to the Financial Statements (continued)

9. EMPLOYEES (CONTINUED)

ASSETS	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Absolute return	931	1,499	799	1,276
Alternative risk premia	1,250	1,000	1,072	851
Corporate bond fund	1,019	808	874	688
Credit relative value	490	317	420	270
Distressed opportunities	344	315	295	268
Emerging markets debt	541	598	464	509
Fund of hedge funds	10	78	9	66
Global equity	2,614	2,915	2,242	2,482
Infrastructure	1,330	909	1,141	774
Insurance-linked securities	549	497	471	423
Liability driven investment	5,930	6,337	5,087	5,395
Long lease property	309	255	265	217
Net current assets	77	33	66	28
Opportunistic illiquid credit	432	-	371	-
Private debt	360	233	309	198
Property	394	390	338	332
Risk sharing	604	523	518	445
Secured income	678	620	582	528
Liquid credit	7	-	6	-
Total assets	17,869	17,327	15,329	14,750

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

KEY ASSUMPTIONS	2020 %	2019 %
Discount rate	2.35	2.36
Inflation (RPI)	2.55	3.24
Inflation (CPI)	1.55	2.24
Salary growth	2.55	3.24
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

Notes to the Financial Statements (continued)

9. EMPLOYEES (CONTINUED)

Mortality assumptions adopted at 31 March 2020 imply the following life expectancies at the age of 65:

	2020	2019
Male retiring in 2020	21.5	21.8
Female retiring in 2020	23.3	23.5
Male retiring in 2040	22.9	23.2
Female retiring in 2040	24.5	24.7

Wandsworth Council Pension Fund (WCPF)

The Wandsworth Council Pension Fund is a multi-employer scheme, which is administered by Wandsworth Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. RHP was part of the London Borough of Richmond Upon Thames Pension Fund which has now merged with the Wandsworth Council Pension Fund, and so Richmond Housing Partnership participates in the merged Wandsworth Council Pension Fund. This scheme is now closed to future accrual with a deficit management agreement in place with the scheme which enables RHP's share of the deficit to be managed without triggering a termination debt. We have used our office building as security to effectively manage future deficit contributions.

	2020 %	2019 %
Rate of increase in salaries	N/A	N/A
Rate of increase in pensions in payment	1.90	2.40
Discount rate	2.35	2.40

	2020 £'000	2019 £'000
FAIR VALUE OF EMPLOYER ASSETS:		
Equities	6,508	7,802
Gilts	404	330
Other bonds	1,429	1,307
Property	987	482
Cash	169	318
Multi asset fund	1,398	1,587
Total fair value of employer assets	10,895	11,826

Notes to the Financial Statements (continued)

9. EMPLOYEES (CONTINUED)

	2020 £'000	2019 £'000
LIFE EXPECTANCY FROM AGE 65 (YEARS):		
Retiring today		
Males	21.8	23.4
Females	24.4	24.8
Retiring in 20 years		
Males	23.2	25.0
Females	25.8	26.6

The post retirement mortality tables adopted are the S3PA tables with a multiplier of 110% for males and 105% for females. These base tables are then projected using the CMI 2018 model allowing for long term rate of improvement of 1.25%, smoothing parameter of 7.5 and an initial addition to improvements of 0.5% pa.

	2020 £'000	2019 £'000
NET PENSION LIABILITY AS AT:		
Present Value of funded liabilities	(13,894)	(14,679)
Fair value of employer assets (bid value)	10,895	11,826
Net Liability in the Statement of Financial Position	(2,999)	(2,853)

	2020 £'000	2019 £'000
THE AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME ARE AS FOLLOWS:		
Net interest on the defined pension liability	68	96
Admin expenses	4	5
Total charged to current year Statement of Comprehensive Income	72	101

	2020 £'000	2019 £'000
RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION		
Opening defined benefit obligation	14,679	14,923
Experience loss on defined benefit obligations	680	-
Interest cost	348	377
Change in financial assumptions	(1,093)	506
Change in demographic assumptions	(353)	(820)
Estimated benefits paid	(367)	(307)
Closing defined benefit obligation	13,894	14,679

Notes to the Financial Statements (continued)

9. EMPLOYEES (CONTINUED)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF EMPLOYER ASSETS	2020 £'000	2019 £'000
Opening fair value of employer assets	11,826	11,129
Other actuarial gains/(losses)	133	-
Contributions by the employer	69	69
Estimated benefits paid	(367)	(307)
Interest on assets	280	281
Admin expenses	(4)	(5)
Return on assets less interest	(1,042)	659
Closing fair value of employer assets	10,895	11,826

The total return on the fund assets for the year to 31 March 2020 is £762k (2019: £940k).

RECONCILIATION OF OPENING AND CLOSING SURPLUS	2020 £'000	2019 £'000
Movement in deficit during the year		
Association share of scheme liabilities at beginning of year	(2,853)	(3,794)
Movement in year:		
Current service cost	(4)	(5)
Contributions	69	69
Other finance costs	(68)	(96)
Actuarial gains	(143)	973
Association share of scheme liabilities at end of year	(2,999)	(2,853)

Notes to the Financial Statements (continued)

10. BOARD MEMBERS AND EXECUTIVE DIRECTORS

The executive directors are the key management personnel for RHP and the Group. Their emoluments (salaries, bonuses, and benefits in kind) are disclosed below together with those of non-executive Board Members.

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Executive directors' emoluments	842	608	745	608
Pension contributions in respect of services as directors	71	48	71	48
Amounts paid to non-executive directors	71	69	71	69
Total	984	725	887	725

The total amount payable to the Chief Executive, who is a Board member and is the highest paid director in respect of emoluments was £176k (2019: £172k). Pension contributions of £18k (2019: £14k) were paid to a defined benefit scheme on his behalf.

The pension entitlement of the Chief Executive is identical to those of other members.

The full time equivalent number of employees who received remuneration (including directors) earning over £60k (including salaries, bonuses and benefit in kind but excluding pension contributions) is shown below:

	GROUP		ASSOCIATION	
	2020 No.	2019 No.	2020 No.	2019 No.
£60,000 - £69,999	4	6	4	6
£70,000 - £79,999	6	5	6	5
£80,000 - £89,999	2	3	2	3
£90,000 - £99,999	1	2	-	1
£100,000 - £109,000	1	2	1	2
£110,000 - £139,000	1	2	1	2
£140,000 - £149,999	3	-	3	-
£170,000 - £179,000	1	1	1	1

11. TAXATION

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
UK CORPORATION TAX				
Surplus on ordinary activities before tax	3,887	13,139	2,640	12,265
Surplus on ordinary activities multiplied by the effective rate of:				
Corporation tax in the UK of 19% (2019:19%)	739	2,496	502	2,330
Exempt from corporation tax	(739)	(2,496)	(502)	(2,330)
Current tax charge for the year	-	-	-	-

Notes to the Financial Statements (continued)

12. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES

TANGIBLE FIXED ASSETS - HOUSING PROPERTIES	PROPERTIES HELD FOR LETTING		SHARED OWNERSHIP PROPERTIES		Total £'000
	Completed £'000	Under construction £'000	Completed £'000	Under construction £'000	
GROUP					
Historic Cost					
At 1 April 2019	356,090	27,944	10,066	28,201	422,301
Works to existing properties	6,274	-	155	-	6,429
Additions - construction costs	-	20,816	-	3,360	24,176
Schemes completed	16,656	(16,656)	584	(584)	-
Disposals	(1,607)	-	-	-	(1,607)
Disposals - components	(1,034)	-	-	-	(1,034)
At 31 March 2020	376,379	32,104	10,805	30,977	450,265
Depreciation					
At 1 April 2019	55,675	-	5	-	55,680
Depreciation charged in year	6,381	-	5	-	6,386
Released on disposal	(383)	-	-	-	(383)
Released on disposal - components	(642)	-	-	-	(642)
At 31 March 2020	61,031	-	10	-	61,041
Impairment					
At 1 April 2019	-	1,399	-	374	1,773
Impairment charged in the year	-	-	-	-	-
At 31 March 2020	-	1,399	-	374	1,773
Net Book Value					
At 31 March 2020	315,348	30,705	10,795	30,603	387,451
At 31 March 2019	300,415	26,545	10,061	27,827	364,848

The impairment relates to the social rented and shared ownership units at Staines Road and is detailed in note 1b significant judgements and estimates.

Notes to the Financial Statements (continued)

12. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES (CONTINUED)

TANGIBLE FIXED ASSETS - HOUSING PROPERTIES (CONTINUED)	PROPERTIES HELD FOR LETTING		SHARED OWNERSHIP PROPERTIES		Total £'000
	Completed £'000	Under construction £'000	Completed £'000	Under construction £'000	
ASSOCIATION					
Historic Cost					
At 1 April 2019	332,086	27,944	10,066	28,201	398,297
Works to existing properties	5,966	-	155	-	6,121
Additions - construction costs	-	20,816	-	3,360	24,176
Schemes completed	16,656	(16,656)	584	(584)	-
Disposals	(1,607)	-	-	-	(1,607)
Disposals - components	(822)	-	-	-	(822)
At 31 March 2020	352,279	32,104	10,805	30,977	426,165
Depreciation					
At 1 April 2019	52,051	-	5	-	52,056
Depreciation charged in year	5,963	-	5	-	5,968
Released on disposal	(383)	-	-	-	(383)
Released on disposal - components	(548)	-	-	-	(548)
At 31 March 2020	57,083	-	10	-	57,093
Impairment					
At 1 April 2019	-	1,399	-	374	1,773
Impairment charged in the year	-	-	-	-	-
At 31 March 2020	-	1,399	-	374	1,773
Net Book Value					
At 31 March 2020	295,196	30,705	10,795	30,603	367,299
At 31 March 2019	280,035	26,545	10,061	27,827	344,468

Notes to the Financial Statements (continued)

12. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES (CONTINUED)

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Freehold	370,128	357,851	352,379	339,929
Long leasehold	17,323	6,997	14,920	4,539
Total housing properties	387,451	364,848	367,299	344,468

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
INTEREST CAPITALISATION				
Interest capitalised in the year	1,657	1,317	1,657	1,317
Cumulative interest capitalised to date	6,094	4,437	6,094	4,437
Effective interest rate used on interest capitalised in the year	3.57%	4.07%	3.57%	4.07%

Notes to the Financial Statements (continued)

13. OTHER FIXED ASSETS

GROUP	Freehold office £'000	Temporary social housing improvements £'000	Furniture, fixtures & fittings £'000	Computers, office equipment & vehicles £'000	Total £'000
Cost					
At 1 April 2019	8,456	100	2,079	468	11,103
Transfer to investment properties (note 15)	(525)	-	-	-	(525)
Additions	57	-	55	68	180
Disposals	-	-	(26)	(47)	(73)
At 31 March 2020	7,988	100	2,108	489	10,685
Depreciation & Impairment					
At 1 April 2019	1,983	90	1,565	340	3,978
Charged in the year	36	2	174	60	272
Transfer to investment properties (note 15)	(124)	-	-	-	(124)
Disposals	-	-	(17)	(46)	(63)
At 31 March 2020	1,895	92	1,722	354	4,063
Net book value					
At 31 March 2020	6,093	8	386	135	6,622
At 31 March 2019	6,473	10	514	128	7,125

Notes to the Financial Statements (continued)

13. OTHER FIXED ASSETS (CONTINUED)

ASSOCIATION	Freehold office £'000	Furniture, fixtures & fittings £'000	Computers, office equipment & vehicles £'000	Total £'000
Cost				
At 1 April 2019	8,456	2,021	384	10,861
Transfer to investment properties (note 15)	(525)	-	-	(525)
Additions	57	23	70	150
Disposals	-	(26)	(47)	(73)
At 31 March 2020	7,988	2,018	407	10,413
Depreciation & Impairment				
At 1 April 2019	1,983	1,494	291	3,768
Charged in the year	36	153	60	249
Transfer to investment properties (note 15)	(124)	-	-	(124)
Disposals	-	(17)	(46)	(63)
At 31 March 2020	1,895	1,630	305	3,830
Net book value				
At 31 March 2020	6,093	388	102	6,583
At 31 March 2019	6,473	527	93	7,093

Notes to the Financial Statements (continued)

14. INTANGIBLE FIXED ASSETS

GROUP & ASSOCIATION	Computer software £'000
Cost	
At 1 April 2019	2,599
Additions	773
Disposals	(76)
At 31 March 2020	3,296
Amortisation & Impairment	
At 1 April 2019	1,522
Charged in the year	371
Disposals	(72)
At 31 March 2020	1,821
Net book value	
At 31 March 2020	1,475
At 31 March 2019	1,077

Notes to the Financial Statements (continued)

15. INVESTMENT PROPERTIES

GROUP & ASSOCIATION	£'000
At 1 April 2019	6,981
Transferred from other fixed assets	401
Additions	15
Movement in fair value	4
At 31 March 2020	7,401

RHP's investment properties are the commercial element of the office building and a small portfolio of shops. These were valued as at 31 March 2020 by Jones Laing LaSalle Limited (JLL), professional external valuers. The full valuation of properties was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors.

In valuing the commercial element of 8 Waldegrave Road, the investment method was adopted with the Net Initial Yield assumed at 3.12%* and the Equivalent Yield assumed at 7.00%.

**this is lower than the equivalent yield because the property is assumed to be part vacant as it is owner occupied*

The remaining commercial properties have been valued on the basis of the existing commercial use, and a variety of capitalisation rates have been adopted dependent upon the characteristics of the individual assets. These are described in the relevant sections of the valuation report prepared by JLL.

Due to the outbreak of COVID-19, the professional valuers used to value the investment properties as at the valuation date, have highlighted material valuation uncertainty in the valuation report as per VPS 3 and VPGA 10 of the RICS Red Book Global. Therefore less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration does not mean that the valuation cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that - in the current extraordinary circumstances - less certainty can be attached to the valuations than would otherwise be the case.

Consequently, a higher degree of caution should be attached to valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we will keep the valuation of these properties under frequent review in 2020/21.

Notes to the Financial Statements (continued)

16. INVESTMENTS IN SUBSIDIARIES

The financial statements consolidate the results of RHP Finance Plc and Co-op Homes (South) Limited (a Registered Provider), as required by statute, which were subsidiaries of the Association at the end of the year. For 2019/20 onwards, the results of RHP Property Ltd and RHP Development Ltd, which are both dormant subsidiaries of the Association have also been consolidated.

The Association has the right to appoint members to the Boards of the four subsidiaries and thereby exercise control over them. RHP is the ultimate parent undertaking.

RHP Finance Plc raises finance for the use of RHP and its subsidiaries. It is a company limited by shares with 100% shares held by the Association. As at 31 March, the Association had part-subscribed to all 50,000 £1 shares for £0.25p a share for a total of £12,500.

RHP Property Ltd was incorporated on 13 April 2018 and has not traded since that date. As at 31 March the Association held one £1 share in the Company.

RHP Develop Ltd was incorporated on 28 March 2018 and has not traded since that date. As at 31 March the Association held one £1 share in the Company.

ASSOCIATION	2020 £'000	2019 £'000
Investment in RHP Finance Plc	13	13
Investment in RHP Property Limited	-	-
Investment in RHP Develop Limited	-	-
Total	13	13

17. PROPERTIES HELD FOR SALE

GROUP & ASSOCIATION	2020 £'000	2019 £'000
Shared ownership properties:		
Work in progress	13,353	11,581
Completed properties held for sale	295	940
At 31 March	13,648	12,521
Capitalised interest included in the above	355	512

Notes to the Financial Statements (continued)

18. TRADE AND OTHER DEBTORS

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Debtors receivable within one year				
Rent and service charges receivable	2,428	2,513	2,193	2,324
Less: provision for bad and doubtful debts	(1,066)	(670)	(913)	(543)
	1,362	1,843	1,280	1,781
Other debtors	1,002	643	1,118	634
Amount owed from subsidiary undertaking	-	-	1,000	1,060
Prepayments and accrued income	1,627	1,662	1,619	1,653
Debtors receivable after more than one year				
Amount owed from subsidiary undertaking	-	-	-	-
Total Debtors	3,991	4,148	5,017	5,128

The Association provided Co-op Homes (South) Limited with a loan facility for £8.5m in 2005/6. The facility is revolving in nature and is secured via a floating charge across the assets of Co-op Homes. The facility has a fixed term to 2031. As at 31 March 2020, £1m of this loan was outstanding (2019: £1.1m).

Notes to the Financial Statements (continued)

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Bank loans (Note 21)	55	51	-	-
Trade creditors	255	1,161	148	945
Rent and service charges received in advance	-	1,196	-	1,196
Other taxation and social security	2	-	-	-
Disposal Proceeds Fund (Note 22)	1,076	1,792	1,076	1,792
Deferred capital grant (Note 24)	447	389	313	255
Amounts owed to subsidiary undertaking	-	-	-	686
Other creditors	4,308	3,271	4,079	3,035
Accruals and deferred income	13,636	12,860	13,464	11,943
Total	19,779	20,720	19,080	19,852

20. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Bank loans and borrowings (Note 21)	237,098	224,269	98,747	85,936
Recycled Capital Grant Fund (Note 23)	129	-	59	-
Amount owed to subsidiary undertaking	-	-	138,090	138,021
Deferred temporary social housing grant	4	5	-	-
Deferred capital grant (Note 24)	44,315	39,689	34,285	29,464
Commercial deposits	67	22	67	22
Total	281,613	263,985	271,248	253,443

Notes to the Financial Statements (continued)

21. LOANS AND BORROWINGS

GROUP	Bank loans	2048 Bond	Total	Bank loans	2048 Bond	Total
	2020	2020	2020	2019	2019	2019
	£'000	£'000	£'000	£'000	£'000	£'000
In one year or less, or on demand	55	-	55	51	-	51
In more than one year but not more than two years	61	-	61	15,052	-	15,052
In more than two years but not more than five years	92,121	-	92,121	13,187	-	13,187
More than five years	8,079	140,000	148,079	59,073	140,000	199,073
	100,316	140,000	240,316	87,363	140,000	227,363
Capitalised finance costs	(1,253)	(1,910)	(3,163)	(1,064)	(1,979)	(3,043)
Total loans and borrowings	99,063	138,090	237,153	86,299	138,021	224,320

ASSOCIATION	Bank loans	Loan from RHP Finance plc	Total	Bank loans	Loan from RHP Finance Plc	Total
	2020	2020	2020	2019	2019	2019
	£'000	£'000	£'000	£'000	£'000	£'000
In one year or less, or on demand	-	-	-	-	-	-
In more than one year but not more than two years	-	-	-	15,000	-	15,000
In more than two years but not more than five years	92,000	-	92,000	13,000	-	13,000
More than five years	8,000	140,000	148,000	59,000	140,000	199,000
	100,000	140,000	240,000	87,000	140,000	227,000
Capitalised finance costs	(1,253)	(1,910)	(3,163)	(1,064)	(1,979)	(3,043)
Total loans and borrowings	98,747	138,090	236,837	85,936	138,021	223,957

Loans are secured by specific charges on the housing properties of the Group.

The 2048 bond was issued by RHP Finance Plc with the proceeds on-lent to RHP under the terms of a loan agreement at a coupon rate of 3.25%. In respect of the listed bond, the amount drawn reflects the net proceeds received. On 17 September 2019, we signed a forward purchase agreement for the sale of £35m of retained bonds, with the proceeds to be received on 17 September 2020.

At 31 March 2020 the Group had undrawn fully secured loan facilities of £45m (2019: £82m). On 28 August 2019, we completed the restatement of the revolving credit facility with Lloyds for a further 5 years, while also increasing the facility amount to £90m (2019: £40m).

Notes to the Financial Statements (continued)

22. DISPOSAL PROCEEDS FUND

	GROUP & ASSOCIATION	
	2020 £'000	2019 £'000
At 1 April	1,792	1,252
Net sales proceeds	-	-
Interest accrued	11	6
Utilised in the year (Note 24)	(727)	-
Capital grant written back to fund	-	534
Balance at 31 March	1,076	1,792
Due within one year	1,076	1,792
Due after more than one year	-	-
Balance at 31 March	1,076	1,792

23. RECYCLED CAPITAL GRANT FUND

	GROUP & ASSOCIATION	
	2020 £'000	2019 £'000
At 1 April	-	197
Grant recycled on disposals (Note 24)	59	-
Grant recycled due to change of use (Note 24)	70	-
Utilised in the year	-	(197)
Balance at 31 March	129	-

Notes to the Financial Statements (continued)

24. DEFERRED CAPITAL GRANT

	GROUP £'000	ASSOCIATION £'000
At 1 April 2019	40,078	29,719
Grant received in the year	4,523	4,523
Transfer from Disposal Proceeds Fund (Note 22)	727	727
Write back of amortised grant (Note 5)	10	-
Grant recycled on disposals (Note 23)	(59)	(59)
Grant recycled due to change of use (Note 23)	(70)	-
Released to income in the year	(447)	(312)
At 31 March 2020	44,762	34,598
Due within one year	447	313
Due after more than one year	44,315	34,285
At 31 March 2020	44,762	34,598

25. FINANCIAL ASSETS AND LIABILITIES

Amortised cost is the amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any amortised original premium or discount (calculated using the effective interest rate method).

The Dexia loan was repaid in the year. We have accounted for the Dexia loan (not including the cancellable element) as a basic financial instrument in the prior year accounts. This is on the basis that we consider any fixed rate debt with two-way early redemption indemnity clauses to be held long term as per our strategy and to be non-speculative.

Bond

The bond is accounted for as a basic financial instrument. Loan notes which are basic financial instruments are initially recorded at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently, they are measured at amortised cost using the effective interest method. Loan notes that are receivable within one year are not discounted.

Intercompany loan

The loan provided to Co-op Homes is on a fixed basis of 0.8033% plus a margin on 0.65% until December 2021, after which the basis will be on LIBOR plus a margin of 0.65%. This loan is deemed to be a basic financial instrument as the margin is deemed a reasonable market rate for 2006 (when the loan was granted).

Notes to the Financial Statements (continued)

Financial risks

The Group has a variety of controls in place to manage liquidity risk, credit risk, and exchange risk and minimise financial loss. The most important aspects are:

- ▶ For investments, where viable, all counterparties must meet the Group's minimum credit rating of A-1 long term and P-1 short term.
- ▶ There is no speculative use of derivatives, currency or other instruments.

The debt maturity profile is shown in note 21.

The fixed rate financial liabilities have a weighted average interest rate of 2.58% at 31 March 2020 (2019: 3.97%).

Liquidity risk

A detailed action plan for arrears and Universal Credit is being delivered and we are adopting a flexible approach for customers unable to pay their rent due to the impact of COVID-19. Our focus continues on cost reduction and liquidity management in order to mitigate these risks as far as possible.

A robust process of cashflow forecasting is in place which covers the short, medium and long term requirements in order that liquidity requirements can be actively managed. We have carried out additional stress testing in the event of impairment and slower sales of our shared ownership properties as a result of the current economic situation. Our treasury management policy requires cash or available loan facilities for committed activities to be in place 12-18 months in advance of anticipated need with cashflow forecasts being reported monthly to the Executive Group and quarterly to the Board.

Foreign currency risk

Other than short-term debtors, the Group's financial assets comprise cash held in deposit accounts and cash at bank. They are sterling denominated and attract interest at rates that vary with bank rates.

Capital risk management

All our debt agreements (bond and loan agreements) contain financial and information-based covenants which we are obliged to comply with. The bond contains financial covenants relating to asset cover whilst the loan agreements contain interest cover, gearing and asset cover-based covenants.

Compliance with funder covenants are closely monitored and are reported within the monthly management accounts and quarterly reports to the Group Investment Committee. We are not anticipating any breach in banking covenants as a result of the recent economic uncertainty, however have received exceptions to forward looking cashflow information requirements until such time that we have more economic certainty.

Our debt portfolio and minimum cash balance requirements ensure that we have sufficient liquidity at low rates of interest to deliver our committed development ambitions and keep our business safe. New revolving credit facilities were put in place in 2019 and we sold our retained bond in September 2019 to ensure our development ambitions (committed and uncommitted) are supported through to 2022.

Our strong underlying credit rating and broader investor base now provide greater diversification of funding options for the organisation going forward.

We have been scenario modelling frequently as a result of the recent economic turbulence and do not anticipate any breach of our loan covenants in any of these scenarios considered.

Interest rate risk

The Group has exposure to interest rate fluctuation due to 32% of its debt at variable rates. We monitor interest rate predictions closely and look to implement further fixes of our debt if deemed appropriate to manage this risk.

Notes to the Financial Statements (continued)

26. NET DEBT RECONCILIATION

GROUP	1 April 2019 £'000	Cash flows	31 March 2020 £'000
Cash and cash equivalents:			
Cash	5,446	1,542	6,988
Cash equivalents	5,102	(5,000)	102
	10,548	(3,458)	7,090
Borrowings:			
Debt due within one year	51	4	55
Debt due after one year	227,312	12,949	240,261
	227,363	12,953	240,316
Total	216,815	16,411	233,226

27. PROVISION FOR LIABILITIES

PROVISION FOR END OF LEASE DILAPIDATIONS COSTS	GROUP £'000
Brought forward	102
Paid in year	(5)
At 31 March 2020	97

Provisions relate to costs associated with the upkeep of properties under repair covenants entered by Co-op Homes. Co-op Homes accounts for these costs in accordance with FRS 102 (provisions and contingencies) which requires a provision to be recognised when there is an obligation at the reporting date regarding works or repairs at the related property.

28. NON-EQUITY CAPITAL

The Association is a charitable registered society and therefore has no share capital. Each member agrees to contribute £1 in the event of the Association winding up.

NUMBER OF MEMBERS	2020	2019
At 1 April	18	17
Joining during the year	2	3
Leaving during the year	(1)	(2)
At 31 March	19	18

Notes to the Financial Statements (continued)

29. LEASES

Operating lease payments amounting to £112k (2019: £119k) are due within one year. The leases to which this relates are as follows:

GROUP	2020	2020	2020	2019	2019	2019
	Land & buildings £'000	Vehicles, office equipment & computers £'000	Total £'000	Land & buildings £'000	Vehicles, office equipment & computers £'000	Total £'000
Lease payments						
Within one year	15	97	112	14	105	119
One to five years	46	140	186	57	222	279
Beyond five years	8	2	10	10	20	30
Total	69	239	308	81	347	428

ASSOCIATION	2020	2020	2020	2019	2019	2019
	Land & buildings £'000	Vehicles, office equipment & computers £'000	Total £'000	Land & buildings £'000	Vehicles, office equipment & computers £'000	Total £'000
Lease payments						
Within one year	-	97	97	-	105	105
One to five years	-	140	140	-	222	222
Beyond five years	-	2	2	-	20	20
Total	-	239	239	-	347	347

Notes to the Financial Statements (continued)

30. CAPITAL COMMITMENTS

	GROUP & ASSOCIATION	
	2020	2019
	£'000	£'000
Commitments contracted but not yet provided for:		
Construction or purchase of housing properties	35,026	53,545
Commitments approved by the Board but not yet contracted for:		
Construction or purchase of housing properties	4,731	3,769
Total capital commitments	39,757	57,314
Capital commitments for the Group and Association will be funded as follows:		
Social Housing Grant	2,406	13,259
Cash and cash equivalents	7,008	10,548
Borrowings	30,343	33,507
Total capital commitments	39,757	57,314

31. CONTINGENT LIABILITIES

In 2017, 195 housing properties were acquired from another housing association. These properties have been accounted for using the performance model as required by SORP 2018. The associated grant of £6.033m has been recognised as a contingent liability to RHP. This contingent liability will be realised if the assets to which the grant relates are disposed and will be recycled appropriately.

32. RELATED PARTIES

During the year there were two tenants, Angelika Chaffey and Shannel Adams and one leaseholder, Toby D'Olier, who are members of the Board. Ms Chaffey paid £125.12 per week (2019: £125.12 per week) and had no amounts outstanding to RHP at 31 March 2020. Miss Adams paid £108.85 per week (2019: £109.55) and had no amounts outstanding to RHP at 31 March 2020. Mr D'Olier paid service charges of £248.05 (2019: £248.05) and had no amounts outstanding to RHP at 31 March 2020. The tenancies and lease are on normal commercial terms and none of these individuals were able to use their position to their advantage.

Co-op Homes (South) Limited and RHP are both regulated by the Regulator of Social Housing.

Transactions with un-regulated subsidiary

RHP Finance Plc is an unregulated subsidiary of the Group. In 2015 RHP invested £12.5k in the share capital of its non-regulated subsidiary and received a £138.6m loan from this entity at a coupon rate of 3.25%. Audit fees of £7k and other administrative expenses of RHP Finance Plc are borne by RHP the immediate and ultimate parent undertaking.

RHP Property Ltd was incorporated as a subsidiary of RHP on 13 April 2018 and has not traded since that date. As at 31 March the Association held one £1 share in the Company.

RHP Develop Ltd was incorporated as a subsidiary of RHP on 28 March 2018 and has not traded since that date. As at 31 March the Association held one £1 share in the Company.



