Financial Statements

2019-2020

Reside Housing Association

FCA registered no: 29475R RSH registration: 4745

Contents

Board Report

Board members

Name	Comments	Member of Audit & Risk Committee	Member of Remuneration & Nominations Committee
Brian Logan		●	
Carole Powell			●
James Sinclair Taylor (Chair)		●	●
Peter Patton	Resigned 30 September 2019		●
Mahua Nandi		●	
Neil McCall (Vice-Chair)		●	
Ron Morley	Resigned 27 April 2020	●	
Stephen Bromley	Resigned 9 January 2020		●
Stuart Stephen		●	
Sam Veal	Appointed 5 February 2020		●
Annelie Sernevall	Appointed 5 February 2020		●

Executive team

Chief Executive Officer	Diane French
Finance Director	Les Warren
Director of Operations	Gavin Rendall
Director of Business Development	Steve Harris
Company Secretary	Les Warren

Registered office

Mason House
18 Lower Teddington Road
Kingston upon Thames
KT1 4EU

Bankers

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

Auditors

Beever and Struthers
15 Bunhill Row
London
EC1Y 8LP

Status

Registered Society with FCA registration number 29475R
Regulator of Social Housing registration number 4745

www.residehousing.com

Introduction

The Board is pleased to present its report together with the audited financial statements of Reside Housing Association Limited (hereafter referred to as 'Reside') for the year ended 31 March 2020. It has been both a good and a challenging year for Reside where most importantly we have continued to deliver our mission as a leading, charitable, independent provider of high quality housing solutions for those with support needs. Putting tenants at the heart of what we do; we offer choice, and enable people to live with independence in their own homes. We were pleased to end the financial year with a surplus which will allow us to invest in buying more homes for people with support needs; it will help us move people out of hospital, transition from college, move out of their family home and increase their independence.

The last 2 years have been characterised by taking stock and consolidating changes within Reside; changes in the senior leadership team, the Board, and in order to reposition the organisation for future growth. We are therefore delighted to have achieved an 8% growth rate in 2019/20 finishing the year having increased our capacity by 111 units. We see every tenancy created as an opportunity for people to move into a home which will enable them to live high quality lives. Our growth strategy has been developed by the board this year through detailed conversations of risk appetite and focuses on growth of a balanced portfolio with a greater level of freehold purchase, shared ownership and full repairing leases.

The surplus is a bit less than we had planned for, because the Board have made clear decisions to always prioritise the quality of our offer over growth, and this year we have overspent on remedial work, particularly fire remedial work, in response to Health and Safety (H&S) risk assessments. Staff changes have also seen us lag behind slightly in income collection. However, we start the new financial year much more confident in our processes and capabilities, with well performing Key Performance Indicators (KPIs) in H&S and we are starting to see the results of the consolidation in team practices.

We are grateful to our small dedicated team of staff for a year of hard work, and to all our partners and stakeholders for working with us, as we embed change.

Principal activity

Reside only provide housing for people with support needs in the form of learning disabilities, physical and sensory impairment, autism, enduring mental health issues and acquired brain injury. We work in partnership with support providers, health and social care commissioners, our tenants and their families to find bespoke housing solutions adapted to the needs of individuals.

Reside was formed in 2002 and is a not-for-profit charitable registered society, we are registered under the Co-operative and Community Benefit Societies Act 2014 with FCA registration number 29475R. Reside is a Registered Provider of Social Housing with registration number 4745. Reside operates on a charitable basis where surpluses are reinvested into social housing activities.

Reside has adopted the National Housing Federation Model Rules 2015 and Code of Governance (2015) as their constitutional rules and chosen code of governance.

At the end of 2019/20 Reside is managing 1450 units in over 360 properties spread over a wide geographic area of the UK. We work in over 100 Housing Benefit Administration Areas.

Reside has a history of developing new partnerships with a range of partners, and continually seeks to improve existing relationships with partner organisations. Reside believes this tried and tested collaborative approach is the optimum way to achieve the organisation's mission as a leading Supported Housing provider.

It is through this strategy that, despite a difficult economic climate, over the past several years of reducing local authority budgets, Reside has managed to expand the number of tenants housed in their own home.

Partners include disabled people, their families, local authority and health authority commissioners, and support providers. Any or all of these partners are welcome to contact us when they are looking for housing. We occasionally formally tender for opportunities as they arise, but the large majority of our development is through existing partnerships and by recommendation. We work collaboratively with partners; specifying, identifying and securing appropriate property, agreeing how we continue to work with the tenant and the support provider to make sure our tenants are supported in ways that meet their individual needs.

Property is primarily secured, at present, by leasing accommodation from other organisations and the private sector, offering tenancies in turn, or by purchasing a suitable property ourselves. Our ambition is to continually increase the number of freehold purchased properties within our portfolio and in 2019/20 we housed 24 tenants via the freehold route.

Our mission, vision, values and strategic objectives

Mission – what are we about?

A leading, charitable, independent provider of high quality housing solutions for those with support needs. Putting tenants at the heart of what we do; offering choice, and enabling people to live with independence in their own homes.

Vision – why are we about it?

A society where people with support needs have equitable access to housing; opening the door for choice, independence and wellbeing, and supporting community based living.

Values – what underpins how we go about it?

Be Collaborative, Focus on People, Be Responsive

Reside's Business Plan sets out the direction and strategy for the period 2019 to 2024 and how we will turn our vision into reality. The plan is underpinned by a robust evidence base and is framed around strategic aims as follows:

To provide a values based, quality led service offer

Our housing offer is based on providing high quality housing which promotes independence and supports health and social care commissioning. We seek to maintain our housing to a high standard, as a responsive, trusted landlord and be a housing provider of choice for Partners.

Through the vehicle of a well-run organisation

Reside is a charitable registered society. We understand that in order to provide a Values-Based service offer we must maintain a viable, sustainable, ethical and well governed charitable organisation which meets value for money criteria; attracting skilled and innovative staff driven by our values.

Whilst managing growth

Reside seeks growth to meet unmet need, underpin Value for Money and support the health and social care sector. Growth is not an end in itself and will be balanced against the ability to continue to provide a high quality offer. Therefore, our growth projections show a modest but stable growth rate.

Risk management

Reside faces an increasingly complex operating environment as a specialist provider of supported accommodation. Reside's Board understand and manage these risks, through the operation of a strategic Risk Register, reviewed in real time by the Executive team, by each Audit and Risk Committee (quarterly) and through reporting to each Board.

The Strategic Risks that Reside faces have been identified as falling into three main areas and a control framework exists around each risk. Our framework of controls is tested through an internal audit programme with Mazars alongside external audit and H&S expert audits through Ellis Whittam. Each risk identified is mapped to the relevant KPI suite and the KPI suite identifies contingent risks to identify if a risk is starting to mature. Each risk also identifies actions that would be taken if the risk started to mature and this approach is also underpinned by our annual stress testing work.

Operational Risks which could impact the quality of our service offer

Risks	Controls & Mitigations
Quality is impaired if we fail to provide a quality repairs and maintenance service, or allow properties to become unfit for purpose or if we fail to keep tenants safe through a programme of compliance. We are also vulnerable if partners fail to achieve these things on our behalf if we have contractual arrangements to this end. Risks also arise if the systems we put in place to achieve high quality delivery fail – so if the housing management system fails or we fail to mobilise service delivery or we fail to maintain our knowledge base. In addition, we are exposed to some external risks to providing high quality services. For example if revenue streams from Housing Benefit changed, and most recently the impact of global pandemic. We also have some exposure to a lack of legacy systems and audit trails.	Our internal controls include a comprehensive system for recording data, reporting and monitoring KPIs; including implementation of a new housing management system to this end. A suite of standard contract management documentation and partnership monitoring. Annual property checks and contact with tenants. A programme of management and board reporting and meetings. Documentation of procedures and processes and staff management to ensure knowledge retention, including back dating some audit trails through annual tenants checks. Maintaining relationships with the sector and external stakeholders and benchmarking performance with peers; including maintaining dialogue with government and regulatory colleagues to raise concerns. We have a business continuity plan in place and now tested. Mitigations if the risks matured include maintaining a level of reserves with financial liquidity, increasing monitoring and suspension of activities.

Financial Risks which could impact our viability

Risks	Controls and Mitigations
Anything that impacts on income collection, so rent collection dropping or occupancy dropping or a reduction in stock under management overall; anything that causes a breach to covenants, our biggest risk here being a reduction in the valuation of properties feeding into the accounts due to market adjustments; and anything that impacts the viability of individual schemes, so for example high costs of compliance works.	Our internal controls include a comprehensive system for management accounting, in addition to reporting and monitoring KPIs. A suite of standard contract management documentation and partnership monitoring. A number of monthly meetings to monitor progress on key areas such as debtors and voids. Mitigations if risks matured include a reserves policy with a focus on liquidity, paying down debt, and moratoriums on growth activities

Reputational Risks which could impact our ability to grow

Risks	Controls & Mitigations
Reputational damage always stunts growth; so any difficulties with mobilising service delivery, if our independence was compromised by perception or reality of over-reliance on income from any single partner, a risk of being unfairly judged being the same as other leased- based Housing Associations and consequently the need to position and market Reside as different to them, any service failure by us or a partner that impacts tenants.	Internal Controls include monitoring relevant KPIs, undertaking tenant visits, surveys and compliance checks, focusing on partnership management and relationships. Following a growth strategy for a balanced portfolio and managing the parameters of growth against internally agreed rules eg for reasonable rents and number of support hours. Undertaking careful due diligence on new partners and properties.

	Mitigations if risks start to mature include implementing contract terms, renegotiating relationships and regulatory transparency.

Operating context and future prospects

The wider political, economic and social context for Reside offers both challenges and opportunities:

- As we write about 2019/20 we are compelled to acknowledge that as the financial year ended the country and indeed the world have been faced with the unprecedented challenges of COVID 19. Whilst this did not impact on the year we are reporting on it will fundamentally impact our business plans going forward. At this point we cannot fully appreciate all the implication for Reside, we are pleased we have proved resilient during the initial crisis and know there will be both opportunities and challenges to come.

- The economic context is one of extreme challenge in health and social care. As Reside only provides housing for people with health and social care support needs this directly impacts our key partners.

- The challenges of the economic context mean we have to be mindful of the risks associated with market failure of partner organisations and within the sector more generally.

- The profile of the health and social care crisis has led to a greater focus on community and home based solutions and the role of good quality housing has gained profile within this context. However, much of the discussion focuses on older peoples' services. In times of stretched resource, it can be difficult to achieve a focus on the smaller populations of need represented by Reside's tenant base.

- Interest rates are low by historic standards. Even though interest rates are expected to rise somewhat over the business plan cycle, the funding and investment climate is currently positive, if uncertain. It makes sense for Reside to take advantage of this favourable environment.

- The Government's commitment to long term supported housing is encouraging, given that there were fears in the sector that there would be a transfer of Housing Benefit funds into locally managed ring fenced budgets, which was causing widespread anxiety about funding sustainability. Housing providers can now feel more confident in a workable ongoing funding stream, at least in the medium term.

- The challenges described above have meant there is a move away from registered care services in the form of care home provision and towards supported housing. Our commissioners are telling us that they do not have plans to increase the number of residential care placements they commission and are all committed to increasing the amount of supported living they provide, by developing new services and deregistering existing residential care services. There is also a clear move towards developing cluster models and decreasing shared housing.

- The Supported Living Model has always argued for a separation of housing from support contending that who people choose as their support provider should not impact on their housing offer. The Care Quality Commission state “Providers of supported living and extra care housing services […must show] there is clear and sufficient separation between the provision of the accommodation and the provision of the care”.

- As a Registered Provider we recognise the Regulator of Social Housing’s co-regulation approach and taking seriously the Board’s responsibility for ensuring that the business is managed effectively. In-Depth Assessments were introduced in June 2015 for registered providers with 1,000 homes or more, and Reside had our first IDA in 2018/2019. In-Depth Assessments take an in-depth consideration of Housing Associations’ businesses to ensure that they are complying with the economic standards. A period of transition in Reside has seen a comprehensive review of governance and operating procedures to ensure compliance with regulatory standards. Reside has grown from being a small provider to one with the corporate capacity expected having built a bedrock of core systems and processes to enable us to grow into the future. We were pleased to see confirmation of our compliance through the IDA process and welcomed the areas for improvement which were identified. We have now completed the action plan and await a reassessment by the Regulator (delayed by Covid 19).

Financial review and highlights

Financial performance

Reside's financial performances in the year continues a trend of growth with increased turnover from increased stock numbers under management. The operating margin has improved over the prior year partly attributable to grants received in the year and some once-off expenditure relating to investment in corporate capacity in the previous year. Our financial position remains robust with low levels of gearing and satisfactory levels of working capital. We have sufficient headroom in all our banking covenants.

5 Year Summary of Financial Highlights

Year ended	2020 £	2019 £	2018 £	2017 £	2016 £
Statement of comprehensive income					
Turnover	16,354,168	15,467,948	13,586,433	12,434,887	10,588,853
Operating surplus	836,332	1,455,112	404,629	946,247	1,840,654
Total comprehensive income	640,955	1,599,768	349,288	1,381,916	6,015,803
Statement of financial position					
Fixed assets	16,642,603	15,543,739	14,990,495	11,986,879	9,651,160
Current assets	4,093,409	3,505,908	2,234,867	3,022,190	3,968,778
Total assets less current liabilities	17,591,901	17,101,010	15,645,170	13,746,058	12,617,341
Creditors: falling due after more than one year	2,759,975	2,910,037	3,053,965	1,504,143	1,757,341
Reserves	14,831,919	14,190,973	12,591,205	12,241,915	10,860,000
Accommodation in management					
Accommodation units owned and managed	1,450	1,339	1,270	1,155	974

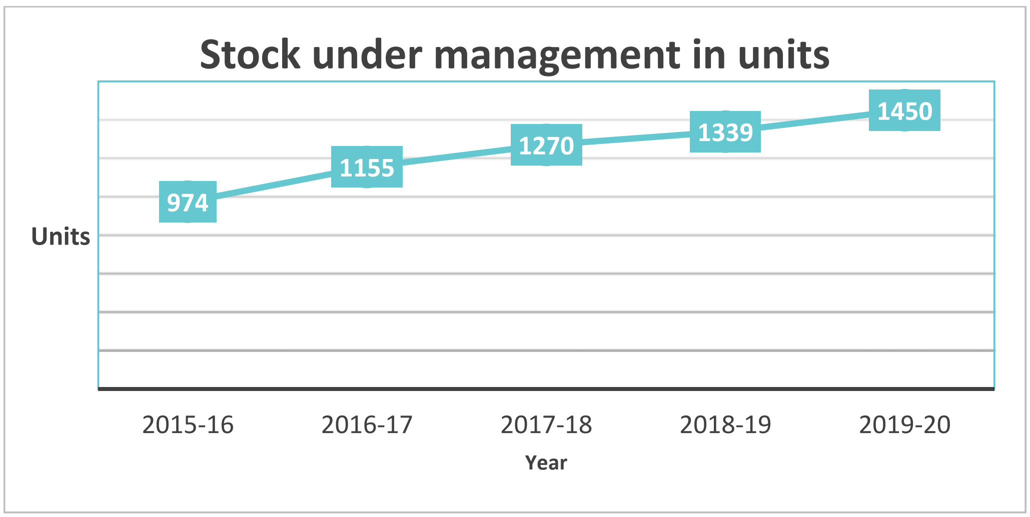
Charitable donations

Reside made no charitable donations during the year.

Growth

Despite a year explicitly focused on consolidation Reside has continued to grow steadily in the year adding an 8% increment to the number of units under management, which was slightly ahead of forecast. This level of growth fits Reside's ambition to seek managed growth balanced against the ability to continue to provide a high quality offer.

Reside has grown by a net 111 units in the course of the year to 1,450 at the end of March 2020.



The occupancy percentage averaged 87% for the year.

Operational performance

Repairs and Maintenance

Our ambition is to provide high quality, safe housing. During the year we continued to focus on undertaking remedial works arising from fire and water risk assessments. This essential work, which has now been largely completed was costly and is unlikely to be on the same scale in future years. We completed the first phase of implementing our new housing management system. This has allowed us to manage responsive repairs much more effectively and as part of the implementation we have introduced new more demanding repairs completion targets, which have been met. In the next phases of implementation during 2020-21 we will be adding functionality to manage health and safety compliance, mobile working and planned works.

We completed refurbishment works on two freeholds properties acquired in the previous financial year - 454 Tong Road and 18 St John's Place. The works amounted to £135,000 and tenants have now moved into these properties.

Refurbishment work also started on another two freehold bungalows purchased during the year.

Some larger repairs such as new kitchen installations and fire safety work were undertaken on several owned and leased properties

Our tenant support team has been expanded this year to meet our ambition to undertake more visits to tenants and increase the time spent on tenant involvement and engagement, as well as the important compliance checks which ensure safety in operation and the quality assurance of our repairs service.

Tenant satisfaction

In 2019 we reported upon a 'Tenant Satisfaction Survey' to all our tenants individually to take part in if they wished. We received 449 completed surveys back, meaning it was approximately a 40% return rate.

- There was a 7% increase in the overall happiness with Reside since 2017. 80% of our tenants said they were happy with the service provided by Reside, 57% of which specified 'Very Happy'.

- In addition, 95% of the respondents agreed that the staff they dealt with were helpful.

- However, since the survey in 2017 there was a small drop in satisfaction with the repairs service to 77% happy and 15% neutral, leaving 8% unhappy. This is disappointing. This may reflect that this year we combined all the results into a single survey regardless of whether Reside directly maintain a property or have agreements with others to do so, or it may reflect a year of staff and systems change. We are determined this will not be a trend going forward and have increased our tenant support team numbers and have a focus on customer service in all our teams.

There were 25 formal complaints made during the year and all but four of these was resolved at Stage 1 of the Complaints Policy. The majority of complaints related to repairs issues, with anti-social behaviour and gardening also featuring.

Value for money

Reside is conscious that the rental income paid by tenants is largely drawn from the public purse via Housing Benefit claims. We take the commitment, to spending public funding carefully, seriously and therefore Value for Money is integral to our business model. Our organisational governance ensures that we work in an ethical way with investors and we choose our partners carefully to this end. Our primary consideration is always to provide high quality housing which meets identified need, promotes independence and supports health and social care commissioning. The provision of supported housing reduces costs to social care and health budgets overall and therefore we make an overall VfM contribution to the public purse. We seek to ensure our tenants receive high quality housing services which meets their needs whilst constantly improving our ways of working and improving our cost base.

Good Value for Money is "the optimal use of resources to achieve the intended outcomes," Value for Money is about cost-effectiveness; it is not about achieving the lowest price but is traditionally described as encompassing the 3 e's:

- Economy: minimising the cost of resources used or required (inputs) – spending less, whilst having regard to quality
- Efficiency: the relationship between the output from goods or services and the resources to produce them – spending well
- Effectiveness: the relationship between the intended and actual results of spending (outcomes) – spending wisely

In addition, Reside have regard to:

- Equity: the extent to which services are available to and reach all people that they are intended to – spending fairly

In order to achieve Value for Money Reside undertake a number of activities:

- Budget setting and monitoring
- Management of Occupancy/Voids and Debtors as key contributors to cost control
- Industry and Trend Benchmarking
- Process Reviews and Improvements, underpinned by a quality framework
- Production of an annual operating plan for business improvement projects
- Periodic salary reviews and market benchmarking
- Staff training and performance management
- Asset Management
- Satisfaction and Quality reviews with Tenants

Key Performance Indicator review

The primary means of measuring VfM is through meeting the reporting requirements of the VfM Standard and supporting Code of Practice.

The Standard requires us to publish performance evidence in these annual financial statements against our own metrics and those defined by the regulator, and report how that performance compares to peers. These metrics are listed below:

Required by Regulator of Social Housing	**2020-21 Target**	**2019-20 Budget**	**2019-20 Outturn**	**2018-19 Outturn**
Reinvestment %	17.44%	12.75%	15.65%	5.2%
New supply delivered %	-	-	-	-
Gearing %	15.9%	12.9%	8.5%	13.0%
EBITDA MRI Interest cover %	600%	1047%	826%	1124.9%
Headline social housing cost per unit	£9,955	£10,345	£10,008	£9,897
Operating margin % - social housing lettings	6.58%	7.73%	5.12%	9.6%
Operating margin % – overall	6.58%	7.73%	5.11%	9.4%
Return on capital employed (ROCE)	7.00%	6.62%	4.75%	8.4%
Indicators selected by Reside				
Rent collection %	98.8%	99.0%	97.0%	99.4%
Occupancy %	88.0%	88.0%	87.0%	88.6%
Overheads as % turnover	14.5%	14.7%	13.8%	13.5%

A comparison against Reside's closest peers for 2018-19 is shown in the table below. The data has been extracted from datasets published by the Regulator based on returns submitted by housing providers. Therefore the 2018-19 year is the latest available information.

RPs selected -->	Reside Housing	Advance Housing and Support	Golden Lane Housing	Inclusion Housing CIC	Progress Housing Association	Median figures (Entity)	Median figures (Entity)
CPU Year	**2018/19**	**2018/19**	**2018/19**	**2018/19**	**2018/19**	**2018/19**	**2017/18**
Homes in management	1,339	2,292	1,933	2,358	9,472	**2,716,987**	**2,698,912**
Metric 1 - Reinvestment	4.2%	6.4%	7.0%	0.0%	2.3%	**6.2%**	**5.80%**
Metric 2a - New supply delivered (social)	0.0%	3.2%	12.1%	26.5%	0.9%	**1.3%**	**1.00%**
Metric 2b - New supply delivered non-social housing units	0.00%	0.00%	0.00%	0.00%	0.00%	**0.00%**	**0.00%**
Metric 3 - Gearing %	10.5%	0.5%	43.6%		45.3%	**44.1%**	**43.7%**
Metric 4 - EBITDA (MRI)	1049.2%	538.2%	216.9%	15038.5%	248.5%	**182.6%**	**203.0%**
Metric 5 - Headline social housing costs per unit	£ 10,189	£ 10,948	£ 6,487	£ 11,209	£ 4,797	**£ 3,622**	**£ 3,362**
Median social housing cost per unit	**£ 3,622**	**£ 3,622**	**£ 3,622**	**£ 3,622**	**£ 3,622**		
Variance	**£ 6,567**	**£ 7,326**	**£ 2,865**	**£ 7,587**	**£ 1,175**		
Variance %age	**181.31%**	**202.25%**	**79.11%**	**209.47%**	**32.43%**		
Management CPU	***£ 1,599***	***£ 881***	***£ 2,273***	***£ 704***	***£ 1,151***	***£ 989***	***£ 964***
Service charge CPU	***£ 847***	***£ 2,350***	***£ 229***	***£ 852***	***£ 883***	***£ 401***	***£ 377***
Maintenance CPU	***£ 723***	***£ 1,938***	***£ 1,193***	***£ 1,524***	***£ 1,345***	***£ 1,004***	***£ 945***
Major repairs CPU	***£ 53***	***£ 523***	***£ 368***	***£ -***	***£ 896***	***£ 737***	***£ 720***
Other social housing CPU	***£ 6,967***	***£ 5,256***	***£ 2,424***	***£ 8,129***	***£ 521***	***£ 214***	***£ 219***
Total	***£ 10,189***	***£ 10,948***	***£ 6,487***	***£ 11,209***	***£ 4,797***		
Metric 6a - Operating margin (SHL) %	9.6%	13.6%	23.5%	6.3%	24.7%	**29.7%**	**32.5%**
Metric 6b - Operating margin (Overall) %	9.4%	5.5%	24.7%	6.5%	24.3%	**27.2%**	**29.7%**
Metric 7 - Return on capital employed (ROCE)	8.5%	2.0%	4.4%	22.0%	3.5%	**3.8%**	**4.1%**

The equivalent for 2017-18 is shown in the table below:

RPs selected -->	Reside Housing	Advance Housing and Support	Golden Lane Housing	Inclusion Housing CIC	Progress Housing Association	Median figures (Entity)	Median figures (Entity)
CPU Year	**2017/18**	**2017/18**	**2017/18**	**2017/18**	**2017/18**	**2018/19**	**2017/18**
Homes in management	1,270	2,293	1,851	1,814	4,736	**2,716,987**	**2,698,912**
Metric 1 - Reinvestment	5.7%	5.4%	5.8%	15.9%	3.7%	**6.2%**	**5.80%**
Metric 2a - New supply delivered (social)	0.0%	2.4%	4.1%	14.9%	1.4%	**1.3%**	**1.00%**
Metric 2b - New supply delivered non-social housing units	0.00%	0.00%	0.00%	0.00%	0.00%	**0.00%**	**0.00%**
Metric 3 - Gearing %	26.1%	3.1%	44.0%		41.1%	**44.1%**	**43.7%**
Metric 4 - EBITDA (MRI)	632.7%	591.9%	202.2%	6218.5%	205.2%	**182.6%**	**203.0%**
Metric 5 - Headline social housing costs per unit	£ 10,210	£ 10,586	£ 6,067	£ 11,013	£ 3,811	**£ 3,622**	**£ 3,362**
Median social housing cost per unit	**£ 3,362**	**£ 3,362**	**£ 3,362**	**£ 3,362**	**£ 3,362**		
Variance	**£ 6,848**	**£ 7,224**	**£ 2,705**	**£ 7,651**	**£ 449**		
Variance %age	**203.70%**	**214.88%**	**80.46%**	**227.58%**	**13.36%**		
Management CPU	***£ 1,862***	***£ 1,118***	***£ 2,242***	***£ 1,230***	***£ 1,104***	***£ 989***	***£ 964***
Service charge CPU	***£ 820***	***£ 1,770***	***£ 269***	***£ 825***	***£ 580***	***£ 401***	***£ 377***
Maintenance CPU	***£ 805***	***£ 2,022***	***£ 882***	***£ 545***	***£ 1,170***	***£ 1,004***	***£ 945***
Major repairs CPU	***£ 55***	***£ 560***	***£ 376***	***£ 308***	***£ 777***	***£ 737***	***£ 720***
Other social housing CPU	***£ 6,669***	***£ 5,116***	***£ 2,299***	***£ 8,105***	***£ 180***	***£ 214***	***£ 219***
Total	***£ 10,210***	***£ 10,586***	***£ 6,067***	***£ 11,013***	***£ 3,811***		
Metric 6a - Operating margin (SHL) %	3.0%	13.4%	22.9%	7.4%	25.2%	**29.7%**	**32.5%**
Metric 6b - Operating margin (Overall) %	3.0%	5.6%	25.2%	7.4%	26.6%	**27.2%**	**29.7%**
Metric 7 - Return on capital employed (ROCE)	2.6%	2.8%	4.0%	28.1%	3.0%	**3.8%**	**4.1%**

Commentary

The **reinvestment percentage** exceeded target of 12.75% by achieving 15.65% because our acquisitions of developed properties exceeded budget. We compare very well against our peer group and the sector as a whole in this respect.

New supply delivered is zero because the definition of new supply only includes housing units developed or newly built units acquired. We had no additions to stock which met this definition.

Our **gearing** was lower than target because we were able to use more cash than borrowings to fund property acquisitions. There were no drawdowns in the year. Our gearing is low compared to our peer group and the sector as a whole because non-banking charges exist on some assets. Gearing is defined as borrowings net of cash balances.

EBITDA was lower than target at 826% against the target of 1047%. The reason for this was lower operating surpluses than anticipated. Nevertheless the outturn compares favourably to our peer group and to the sector as a whole and well in excess of covenant requirements.

Headline social cost per unit has increased marginally by £111 per unit (or 1.1%) over the 2018-19 figure largely as a result of investment in health & safety compliance works during the year, and in particular fire remedials. Lease based providers have higher headline social cost per unit than RPs that own their stock because lease rents are included in the metric. Lease costs are included in the 'other social housing CPU'. If lease costs were excluded entirely from the calculation our cost per unit would have been £3,401 in 2019-20 which is lower than the sector-wide median. Our major works cost per unit is much lower than peers for two reasons. Firstly, we have limited repairing responsibilities on much of our leased stock. Secondly, those costs are divided by all of our stock under the definition.

Our operating margin overall and operating margin social housing lettings measures are lower than the previous year and budget **as a consequence of higher operating costs in 2019-20.** Pressure on income collection and compliance spend for fire and water remedials on our stock depressed our operating margin. RPs with predominately leased stock have lower operating margins than RPs who own all or most of their stock. Therefore our operating margin is not directly comparable to Golden Lane or Progress Housing in our peer group.

Return on capital employed has decreased in 2019/20 over 2018/19 as a direct consequence of higher operating cost as discussed earlier. Nevertheless our results compare favourably to our peers and the sector median.

Our **rent collection** dropped to 97% in 2019/20 from 99% in 2018-19. Reside is a member of the Smaller Providers Benchmarking Group (SPBM). The median rent collection figure for that group in 2019-20 was 97.5% which was a decline on 2018-19 median figure of 98.0% indicating some challenges across the supported housing sub-sector. An income improvement project is currently underway to drive up rent collection performance.

Occupancy levels reduced as compared to 2018-19 and were lower than budget. The bespoke and specialised nature of our housing offer and lack of direct control over referrals and allocations means that lettings can take longer than other providers. We also have lease rent abatement arrangements on a large portion of our stock which mitigates the financial impact of voids on our results.

Overheads as a percentage of turnover was ahead of target at 13.8% but increased in comparison last year. The increase was mainly attributable to changes in our organisational structure and capacity.

Governance

Reside's Board currently comprises 8 non-executive Board members.

Board members must act in the interest of Reside and not on behalf of any other interest group. The principal obligations of the Board are to:

- Be committed to the mission, values and objectives of Reside
- Develop strategy and implement Reside's core policies
- Uphold Reside's constitution and National Housing Federation Code of Governance
- Represent Reside and enhance our reputation

The Board confirms that Reside has met the Regulator of Social Housing's expectations in the Governance and Financial Viability Standard which was published in April 2015.

Reside has adopted the National Housing Federation Excellence in Governance Code for members published in 2015 and is fully compliant with it.

Reside's Board met formally four times this year and for a strategic awayday. These were complemented by meetings of the Audit and Risk Committee, and the Remuneration and Nomination Committee. All committees report to the Board.

Annual review of internal control

The Board has overall responsibility for establishing and maintaining Reside's system of internal controls and for reviewing its effectiveness. The Board recognises that no system of internal control can eliminate all risk against financial misstatement or loss or fraud. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial statements and operational information and for the safeguarding of Reside's assets and interests.

The key elements in exercising control include:

- Clearly defined management responsibilities for the identification, evaluation and control of significant risks
- Robust strategies and business planning process including stress testing, with detailed financial budgets and forecasts
- Formal recruitment, retention, training and development policies for all staff
- Established authorisation and appraisal procedures for significant new initiatives and commitments

- A methodical approach to treasury management
- Regular reporting to the Board on key business objectives, targets and outcomes
- Board approved Anti-fraud and Anti-corruption Policies, covering prevention, detection and reporting
- Regular monitoring of loan covenants and requirements for new loan facilities

The Board confirms that it has a strategy and policy, appropriate for the present size and complexity of the organisation. The system of internal controls is on-going, and has been in place for the year to March 2020 and up to the date of approval of the annual report and financial statements.

The Board recognises its responsibility for the system of internal control and for reviewing its effectiveness. Reside conducts an annual review of internal controls. This provides assurances in external audit, internal control, internal audit, whistleblowing, risk management and performance monitoring.

This review includes an assessment of all aspects of systems of control whilst acknowledging that the balance of fraud risk is best managed through retaining a trusted and proven management team, consistent with the relatively small scale of the Reside's activities when compared to the sector.

The Board confirms no serious weaknesses were found in the internal controls for the year ended March 2020, which might otherwise have resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements.

Reside has an insurance policy which indemnifies Board members and the management team against liability when acting for Reside.

Health and safety

As a values led organisation Reside views any failure in the provision of high quality and safe accommodation to be a breach of our primary objective. The Board is aware of its responsibilities on matters relating to health and safety. This year Reside has again reviewed and updated its detailed Health and Safety (H&S) Policy and safe systems of working, maintained online and in person staff training and supported a Head of Compliance to lead operational compliance activities, including risk assessments. Reside also use a firm of external expert consultants, to provide independent advice and support to assist Reside in meeting its health and safety obligations; these external consultants undertake a number of audits each year and take on the role of competent person for health and safety purposes. We have an embedded compliance KPI reporting system to ensure comprehensive reporting at all levels including the Board. In addition, Reside works with all of our partners to ensure clarity of responsibilities under Service Level Agreements, we undertake annual strategic meetings, have systems for checking compliance when taking on properties and via in-year property checks.

At an operational level Reside holds a monthly H&S committee, chaired by the CEO, which scrutinises compliance data and progress. Reports from this internal committee are taken directly to the Board.

Statement of board members' responsibilities

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

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of its income and expenditure for that period.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the

Accounting Direction for Private Registered Providers of Social Housing 2019. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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

Statement of disclosure to auditors

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

Auditors

Beever and Struthers have expressed their willingness to continue in office. Accordingly a resolution to reappoint them as auditors will be proposed at the forthcoming Annual General Meeting.

The Board Report was approved on behalf of the Board on 7 September 2020 and signed on its behalf by:

James Sinclair Taylor

Chair

Independent Auditor’s Report

Opinion

We have audited the financial statements of Reside Housing Association Limited (the Association) for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association’s affairs as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Board is responsible for the other information. The other information comprises the information included in the Board Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and 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 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 the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the Board's responsibilities statement set out on pages 20 and 21, 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 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 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 intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Association’s members, as a body, in accordance with section 87 of 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 Association’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers
Chartered Accountants
Statutory Auditor

15 Bunhill Row
London
EC1Y 8LP

Date: 21 September 2020

Statement of Comprehensive Income

	Note	2020	2019
		£	£
Turnover	**2**	**16,354,168**	**15,467,948**
Operating expenditure	**2**	(15,513,641)	(14,012,836)
Gain / (loss) on disposal of tangible fixed assets		(4,195)	(15,062)
Operating surplus		836,332	1,440,050
Interest receivable and similar income	**4**	5,800	1,632
Interest payable and similar expenses	**4**	(117,614)	(117,715)
Movement in fair value of financial investments	**12**	(83,563)	99,545
Surplus / (deficit) for the year	**6**	**640,955**	**1,423,512**
Revaluation of tangible fixed assets		-	176,256
Total comprehensive income for the year		**640,955**	**1,599,768**

The financial statements on pages 25 to 50 were approved and authorised for issue by the Board on 7 September 2020 and were signed on their behalf by:

James Sinclair Taylor
Chair

Les Warren
Finance Director and Secretary

Stuart Stephen
Board member and Chair of Audit Committee

The Statement of Comprehensive Income relates wholly to continuing activities and the notes on pages 29 to 50 form an integral part of these financial statements.

Statement of Financial Position

	Note	2020 £	2019 £
Fixed assets			
Tangible fixed assets – Housing Properties	**10**	14,642,603	13,095,469
Other fixed assets	**11**	204,990	192,703
Investments	**12**	1,372,004	2,255,567
		16,219,597	**15,543,739**
Current assets			
Trade and other debtors	**13**	2,219,395	1,825,440
Cash and cash equivalents		1,874,014	1,680,468
		4,093,409	**3,505,908**
Creditors: amounts falling due within one year	**14**	**(2,721,105)**	**(1,948,637)**
Net current assets / (liabilities)		**1,372,304**	**1,557,271**
Total assets less current liabilities		**17,591,901**	**17,101,010**
Creditors: amounts falling due after more than one year	**15**	**(2,759,975)**	**(2,910,037)**
		14,831,926	**14,190,973**
Reserves			
Called up share capital	**17**	7	9
Income and expenditure reserve		9,754,077	9,113,122
Revaluation reserve		5,077,842	5,077,842
		14,831,926	**14,190,973**

The financial statements on pages 25 to 50 were approved and authorised for issue by the Board on 7 September 2020 and were signed on their behalf by:

James Sinclair Taylor **Chair**	**Les Warren** **Finance Director and Secretary**	**Stuart Stephen** **Board member and Chair of Audit Committee**

The notes on pages 29 to 50 form an integral part of these financial statements.

Statement of Changes in Reserves

	Called up share capital £	Income and expenditure reserve £	Revaluation reserve £	Total £
At 1 April 2018	**9**	**7,689,610**	**4,901,586**	**12,591,205**
Share capital issued	2	-	-	2
Share capital cancelled	(2)	-	-	(2)
Surplus for the year	-	1,423,512	-	1,423,512
Revaluation for the year	-	-	176,256	176,256
At 31 March 2019	**9**	**9,113,122**	**5,077,842**	**14,190,973**
Share capital issued	-	-	-	-
Share capital cancelled	(2)	-	-	(2)
Surplus for the year	-	640,955	-	640,955
Revaluation for the year	-	-	-	-
At 31 March 2020	**7**	**9,754,077**	**5,077,842**	**14,831,926**

The notes on pages 29 to 50 form an integral part of these financial statements.

Statement of Cash Flows

	Note	2020	2019
		£	£
Cash flow from operating activities	**19**	**1,735,031**	**1,981,149**
Net cash flow from operating activities		**1,735,031**	**1,981,149**
Cash flow from investing activities			
Payments to acquire tangible fixed assets		(2,082,485)	(614,833)
Receipts (net) from sales of tangible fixed assets		-	-
Payments to acquire investments		-	-
Receipts from sales of investments		800,000	-
Interest received		5,800	1,632
Net cash flow from investing activities		**(1,276,685)**	**(613,201)**
Cash flow from financing activities			
Proceeds from issue of new long-term loans		-	-
Repayment of long term loans		(147,186)	(144,438)
Interest Payable		(117,614)	(117,715)
Net cash flow from financing activities		**(264,800)**	**(262,153)**
Net (decrease)/increase in cash and cash equivalents		**193,546**	**1,101,795**
Cash and cash equivalents at beginning of year		**1,680,468**	**574,673**
Cash and cash equivalents at end of year		**1,874,014**	**1,680,468**
Cash and cash equivalents consists of:			
Cash at bank and in hand		1,874,014	1,680,468
Short term deposits			-
Cash and cash equivalents at end of year		**1,875,014**	**1,680,468**

The notes on pages 29 to 50 form an integral part of these financial statements.

Notes to the Financial Statements

1 – Summary of significant accounting policies

General information and basis of preparation

Reside Housing Association Limited is incorporated under the Co-operative and Community Benefit Societies Act 2014, a private registered provider of Social Housing in the United Kingdom. The address of the registered office is given in the Board Report on page 1 of these financial statements. The nature of the Reside's principal activities are providing housing accommodation and associated facilities and amenities to adults with learning disabilities, enduring mental health problems, or acquired brain injuries. Reside is recognised by HM Revenue & Customs as a charity for taxation purposes whereby its income and capital gains arising from charitable activities are exempt. Its principal objective as stated in its constitution is "… the business of providing and managing housing, including Social Housing, and providing assistance to help house people and associated facilities, amenities and services for poor people or for the relief of aged, disabled (whether physically or mentally) or chronically sick people."

The financial statements cover the individual entity and have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" (FRS 102), the Statement of Recommended Practice for Social Housing Providers 2018, and with the Accounting Direction for private registered providers of social housing in England 2019. The financial statements are also prepared under the requirements of the Housing and Regeneration Act 2008 and Co-operative and Community Benefit Societies Act 2014. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are prepared in sterling, which is the functional currency of Reside and rounded to the nearest £.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

As a public benefit entity, Reside Housing Association Limited has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

Going concern

Reside's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. The COVID-19 pandemic led to a reassessment of the Reside's business plan as well as an assessment of imminent or likely future breach in borrowing covenants. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

Turnover and other income

Turnover is measured at the fair value of the consideration received or receivable. The policies adopted for the recognition of turnover are as follows:

Turnover represents rental and service charge income receivable in the year net of rent and service charge losses from voids, revenue grants from the government (Local Authorities) and Homes England.

Tangible fixed assets: properties and other fixed assets

Housing properties are included at depreciated valuation, except for The Laurells, 2 South View, 36 Hallington Drive, 113 Birchfield Road, 41 Burdon Street and 10 Fernhill Close, which are included at cost less depreciation, as these were purchased after the last valuation, and are not yet due to be valued as per Reside's revaluation cycle. . Reside adopts the policy of undertaking full independent valuations every 5 years.

Their carrying values are not believed to be materially different. The valuation basis used is the Existing Use Value for Social Housing.

Expenditure on existing housing properties is capitalised when it is either capable of generating increased future rents, extends their useful economic lives or significantly reduces future maintenance costs. All other expenditure in respect of general repairs is charged to surplus or deficit as it is incurred.

Properties whose fair value can be measured reliably, which are deemed to be properties for non social housing lettings, are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of the land and buildings is usually considered to be their market value.

Revaluation gains and losses are recognised in Other Comprehensive Income and accumulated in reserves, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in surplus or deficit or a revaluation loss exceeds the accumulated revaluation gains recognised in reserves; such gains and losses are recognised in surplus or deficit.

Major components of properties, such as windows and boilers, have been accounted for and depreciated separately from the connected property, over their expected useful economic lives (the rates are disclosed below).

Other tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended such as the cost of acquiring land and buildings and expenditure on improvements.

Tangible fixed assets: depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Properties: structure	over 100 years
Properties: roof structure and coverings	over 70 years
Properties: windows and external doors	over 30 years
Properties: gas boilers and fires	over 15 years
Properties: kitchens	over 20 years
Properties: bathrooms	over 30 years
Properties: heating, ventilation and plumbing	over 30 years
Properties: electrics	over 40 years
Plant and machinery	over 3 years
Fixtures and fittings	over 5 years
Motor vehicles	over 5 years

Major components of properties, such as windows and boilers, have been accounted for and depreciated separately from the connected property, over their expected useful economic lives and are included in rates disclosed above.

The useful economic lives of all tangible fixed assets are reviewed annually.

Impairment of fixed assets

All properties are considered for impairment annually and detailed reviews of assets for impairment are carried out, if there is an indication that impairment has occurred or if they are not being depreciated.

Impairments that are a result of a major reduction in the service potential of a property are recognised in the Statement of Comprehensive Income. Impairments that reflect general changes in price below the cost of acquisition, are also recognised in the Statement of Comprehensive Income.

Investments

Other investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently, they are measured at fair value through surplus or deficit.

Cash at bank and in hand

Cash at bank and in hand include cash in hand, deposits held at call with banks and other short-term liquid investments.

Debtors and creditors receivable/payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in surplus or deficit.

Loans and borrowings

Loans and borrowings are initially recognised at the transaction price including transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method, less impairment.

Provisions

Provisions are recognised when Reside has an obligation at the Statement of Financial Position date because of a past event.

Recycled Capital Grants Fund

In certain circumstances, such as the sale of housing properties, capital grants are repayable, and, in that event, are subordinated to the repayment of other loans by agreement with the Greater London Authority or Homes England. They are accounted for as soon as the liability arises within creditors: amounts falling due within one year. When any grant to be repaid is less than the grant relating to the disposal, the difference is treated as abated grant. Abated capital grants are treated as a component of the surplus or deficit on disposal.

Tax

No taxation is payable by Reside since it has chartable status for tax purposes and its activities are exempt.

Employee benefits

When employees have rendered service to Reside, short-term employee benefits to which the employees are entitled are recognised at the undiscounted amount expected to be paid in exchange for that service.

Reside operates a defined contribution plan for the benefit of its employees. Contributions are expensed as they become payable.

Leases

Rentals payable and receivable under operating leases are charged in surplus or deficit on a straight-line basis over the period of the lease.

Interest receivable

Interest income is recognised using the effective interest method.

Government grants

Government grants are received from several Local Authorities, Homes England and the Greater London Authority in respect of contributions towards housing properties. These grants are recognised at the fair value of the asset received or receivable. As the assets are accounted for using the valuation model then the government grant is accounted for using the performance model so that turnover is taken once the performance conditions have been met.

Government grants received as a contribution to revenue expenditure are recognised in surplus or deficit on a systematic basis over the period in which the landlord recognises the related costs for which the grant is intended to compensate. The related expenditure is included under operating expenses. Grants are recognised in the same period as the related expenditure provided the conditions for receipt have been satisfied and there is reasonable assurance that the grant will be received.

Value Added Tax

Irrecoverable VAT which can be attributed to capital items or revenue is added to the cost of the capital item or expenses where practicable and material.

The activities of Reside are partially exempt.

Financial instruments

Financial instruments held by Reside are classified as follows:

- Cash is classified as a financial asset and is held in the financial statements at cost.
- Financial assets such as investments are held at its fair value.
- Financial assets such as cash and receivables are classified as loans and receivables and held at amortised cost using the effective interest method.
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method.

Judgements and key sources of estimation uncertainty

In the application of Reside’s accounting policies, the Board members are required to make judgements, estimates and assumptions about the carrying number of assets and liabilities that are not clear from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future period.

The areas for which significant estimation has been applied are depreciation and the useful economic life of assets, and in the market valuation of the housing properties.

The component depreciation method is used for calculating depreciation on some assets where the asset has fundamentally different parts that should be depreciated under different treatment.

The depreciation rates used is in accordance with the National Matrix of Property components (published January 2011).

The housing properties are included at cost less depreciation unless it has been subject to a valuation in which it is included at depreciated valuation. The policy is adopted is to complete full external and independent valuations every 5 years. The properties are held at market rate, which is subject to estimation.

2A - Particulars of turnover, cost of sales, operating expenditure and operating surplus

2020	Turnover	Operating Expenditure	Other expenditure	Operating Surplus/(Deficit)
Social Housing Lettings (Note B)	16,042,204	(15,221,596)		820,608
Other Social Housing Activities:				
Charges for support services	290,152	(285,643)		4,509
Gain / (loss) on disposal of tangible fixed assets			(4,195)	(4,195)
Activities other than social housing:				
Office Rent	21,812	(6,402)		15,410
Total	16,354,168	(15,513,641)	(4,195)	836,332

2019	Turnover	Operating Expenditure	Other expenditure	Operating Surplus/(Deficit)
Social Housing Lettings (Note B)	15,133,042	(13,677,251)		1,455,791
Other Social Housing Activities:				
Charges for support services	327,934	(320,426)		7,508
Gain / (loss) on disposal of tangible fixed assets			(15,062)	(15,062)
Activities other than social housing:				
Office Rent	6,972	(15,159)		(8,187)
Total	15,467,948	(14,012,836)	(15,062)	1,440,050

2B – Particulars of Turnover and Operating Expenditure

	2020 Supported Housing	2019 Total
	£	£
Turnover		
Rent receivable net of identifiable service charges and net of voids	14,997,580	13,951,888
Service charge income	714,853	711,154
Government Grants taken to income	329,771	470,000
Turnover from social housing lettings	16,042,204	15,133,042
Operating expenditure		
Management	2,379,613	2,141,013
Service charge costs	1,243,529	1,133,689
Routine Maintenance	1,056,533	758,914
Planned Maintenance	251,482	209,155
Bad Debts	365,876	212,996
Depreciation of housing properties	344,389	212,444
Operating Lease Expenditure	9,580,174	9,009,040
Operating Expenditure on social housing lettings	15,221,596	13,677,251
Operating surplus / (deficit) on social housing lettings	820,608	1,455,791
Void Losses	326,265	600,144

3 - Accommodation owned and in management

	2020 Units at year end	2019 Units at year end
Supported housing	1,444	1,333
Residential care homes	6	6
	1,450	**1,339**

	2020 Units at year end	2019 Units at year end
Social housing units managed not owned	1,287	1,204
Social housing units managed and owned	163	135
	1,450	**1,339**

4 - Interest and other finance income and charges

Interest receivable and similar income:

	2020 £	2019 £
Bank interest	5,800	1,632

Interest payable and similar charges:

	2020 £	2019 £
Bank loans	117,614	117,715

5 - Disposals of tangible fixed assets

	2020	2019
	£	£
Carrying value disposed	(4,195)	(25,457)
Proceeds from disposal	-	10,395
	(4,195)	**(15,062)**

6 - Surplus on ordinary activities

Surplus on ordinary activities is stated after charging/(crediting):

	2020	2019
	£	£
Auditor's remuneration (excluding VAT)	17,395	17,650
Bad debts written off	365,876	212,996
Depreciation of housing properties and components available for social housing lettings	310,805	178,661
Depreciation of housing properties and components not available for social housing lettings	33,584	33,584
Depreciation of owned assets	115,734	110,083
Deficit (surplus)/ on fair value of investments	83,563	(99,545)
Operating lease rentals	9,580,174	9,009,040
Deficit on sale of tangible fixed assets	4,195	15,062

7 - Auditor's remuneration

	2020	2019
	£	£
Fees payable for the audit of the annual financial statements	17,395	16,400
Fees payable to the auditors for financial statements preparation services	1,280	1,250

8 - Board members and key management personnel remuneration

	2020	2019
	£	£
Remuneration	415,359	427,910
Contributions to money purchase pension plan	33,794	31,926
	449,153	**459,836**

No Board members were accruing benefits under pension plans by which money purchase benefits will be calculated.

Included above was £39,666 received by non-executive Board members (2019: £44,536), and £409,457 (2019: £401,640) received by the executive team.

Reside had 13 people who served as Board and committee members in 2020 (2019:11). All of these Board members and Committee members received emoluments of £39,666 during the year (2019: £44,536).

	2020	2019
	£	£
Stephen Bromley	3,000	4,000
Jack Burnham	-	2,333
Brian Logan	4,000	4,000
Neil McCall	4,500	3,759
Mahua Nandi	4,000	3,759
Ron Morley	4,000	4,000
Peter Patton	2,000	4,000
Carole Powell	5,000	6,000
David Purves	-	185
James Sinclair Taylor	7,500	7,500
Stuart Stephen	5,000	5,000
Annelie Sernevall	333	-
Samantha Veal	333	-
	39,666	**44,536**

8 - Board members and key management personnel remuneration (continued)

The emoluments of the highest paid key management personnel included above was:

	2020	2019
	£	£
Aggregate emoluments (excluding pension contributions)	100,866	100,600
Contributions to money purchase pension plan	10,283	10,060
	111,149	**110,660**

The Chief executive is a member of the standard company scheme. No enhanced or special terms apply. During the period the total amount contributed to the individual pension arrangement was £10,283 (2019: £10,060).

9 - Staff costs

The average monthly number of employees, including members of the Executive Team, during the year was as follows:

	2020	2019
	Number	Number
Management and administration	30	32
Maintenance operatives	4	5
	34	**37**

The average number of employees, including members of the executive team, calculated on a full time equivalent (35 hours per week) was 34 employees (2019: 37).

The aggregate remuneration of such employees was as follows:

	2020	**2019**
	£	**£**
Wages and salaries	1,181,453	1,107,730
Social security	125,686	92,263
Other pension costs	76,819	68,152
	1,383,958	**1,268,145**

The number of employees who received more than £60,000 as their employee package (excluding pension costs), is as follows:

	2020	**2019**
	Number	**Number**
£60,001 - £70,000	1	2
£70,001 - £80,000	2	1
£80,001 - £90,000	-	-
£90,001 - £100,000	1	1
£110,001 - £120,000	1	1
	5	**5**

10 - Tangible fixed assets: housing properties

	Housing properties for letting £	Properties for non social housing letting £	Total £
Cost			
At 1 April 2019	11,969,591	2,575,446	14,545,037
Additions: completed properties acquired	1,904,421	-	1,904,421
Disposals	(119,226)	-	(119,226)
Revaluation	-	-	-
At 31 March 2020	**13,754,786**	**2,575,446**	**16,330,232**
Depreciation and Impairment			
At 1 April 2019	1,382,400	67,168	1,449,568
Charge for year	310,805	33,584	344,389
Eliminated on disposals	(106,328)	-	(106,328)
At 31 March 2020	**1,586,877**	**100,752**	**1,687,629**
Net book value			
At 31 March 2020	**12,167,909**	**2,474,694**	**14,642,603**
At 31 March 2019	**10,587,191**	**2,508,278**	**13,095,469**

The net book value of land and buildings comprised:

	2020 £	2019 £
Land and buildings:		
Freehold	13,790,650	11,939,259
Long leasehold	758,078	1,040,269
Short leasehold	93,875	115,941
	14,642,603	**13,095,469**

10 – Tangible fixed assets: properties (continued)

Social housing properties with a net book value of £3,085,123 (2019: £3,132,038) and non social housing properties with a net book value of £2,474,694 (2019: £2,508,278) have been pledged as security for liabilities of the RP. These assets have restricted title.

The historic cost equivalent of land and buildings included at valuation are as follows:

	2020 £	2019 £
Cost	11,252,391	9,467,196

Freehold land and buildings were subject to valuation at the dates described below:

No properties were due for external independent valuation in 2019-20.

11 - Tangible fixed assets: other

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 April 2019	522,980	20,528	89,601	633,109
Additions	131,741	475	-	132,216
Disposals	(27,206)	(762)	-	(27,968)
At 31 March 2020	**627,515**	**20,241**	**89,601**	**737,357**
Depreciation				
At 1 April 2019	396,702	16,219	27,485	440,406
Charge for year	96,592	1,221	17,921	115,734
Eliminated on disposals	(23,011)	(762)	-	(23,773)
At 31 March 2020	**470,283**	**16,678**	**45,406**	**532,367**
Net book value				
At 31 March 2020	**157,232**	**3,563**	**44,195**	**204,990**
At 31 March 2019	**126,278**	**4,309**	**62,116**	**192,703**

12 - Fixed asset investments

	Other investments £	Total £
Cost or valuation		
At 1 April 2019	2,255,567	2,255,567
Disposals	(800,000)	(800,000)
Revaluation	(83,563)	(83,563)
At 31 March 2020	**1,372,004**	**1,372,004**
Net book value		
At 31 March 2020	**1,372,004**	**1,372,004**
At 31 March 2019	**2,255,567**	**2,255,567**

Other investments are measured at fair value, and the fair value is determined by reference to an investor confirmation report stating the value of the investment as at 31 March 2020.

13 - Debtors

	2020 £	2019 £
Trade debtors (gross social housing rent arrears)	1,494,447	1,115,207
Less: provision for doubtful debt	(179,331)	(103,639)
Other debtors	170,325	206,346
Prepayments and accrued income	733,954	607,526
	2,219,395	**1,825,440**

14 - Creditors: amounts falling due within one year

	2020	2019
	£	£
Bank loans	147,187	144,311
Trade creditors	1,876,049	1,389,388
Other tax and social security	52,947	46,164
Other creditors	31,208	157,703
Accruals and deferred income	613,714	211,071
	2,721,105	**1,948,637**

NHS England holds the first legal charge over Plot 3, The Laurels.

The Bank of Scotland holds the first legal charge over the following properties:

Flat 5 Mansel Place
28 Halstatt Road
9 Carey Road
42 Maplins Close
4 Calstock Close
69 Brearley Avenue
41-45 Ash Grove
Mason House
8 Highfield House

Bank loan terms of repayment are reviewed every 12 months for variable rate loans and interest is payable in monthly instalments on the principal amount. Interest on the bank loans is payable at rates agreed with the loan provider, and range from 1.5% to 3%.

15 - Creditors: amounts falling due after more than one year

	2020	2019
	£	£
Bank loans	2,759,975	2,910,037

The maturity profile of outstanding borrowing at 31 March 2020 is as follows:

	2020	2019
	£	£
Loans repayable by instalments		
Repayable within one year	147,187	144,311
In one year or more but less than two	153,716	148,157
In two years or more by less than five	481,267	477,715
In five years or more	2,124,993	2,284,165
Total drawn borrowings	2,907,163	3,054,348

16 - Leases

Operating leases: lessee

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2020	2019
	£	£
Not later than one year	6,560,178	6,651,725
Later than one and not later than five years	13,978,996	8,369,896
Later than five years	7,692,704	7,563,636
	28,231,878	**22,585,257**

17 - Share capital

Ordinary shares of £1 each

	Number	£
Allotted, called up and fully paid:		
At 1 April 2019	9	9
Share capital issued	-	-
Share capital cancelled	(2)	(2)
At 31 March 2020	**7**	**7**

The shares do not have rights to any dividends, nor to a distribution in a winding-up, and they are not redeemable. Each share carries one vote in a general meeting of the RP.

18 - Reserves

Income and expenditure reserve

The income and expenditure reserve represents cumulative surplus and deficits net of other adjustments.

Revaluation reserve

The revaluation reserve represents the cumulative effect of revaluations of tangible fixed assets where a policy of revaluation has been adopted.

19 - Reconciliation of operating surplus to cash flow from operating activities

	2020 £	2019 £
Surplus for the year	640,957	1,423,512
Interest payable	117,614	117,715
Interest receivable	(5,800)	(1,632)
(Gains) / losses on investments	83,563	(99,545)
Profit / (loss) on disposal of tangible fixed assets	17,093	15,062
Depreciation of tangible fixed assets	460,124	322,328
(Increase)/decrease in trade and other debtors	(393,955)	(165,246)
Increase/(decrease) in trade and other creditors	769,587	368,955
Revaluation reserve transfer	45,848	-
Net cash flow from operating activities	**1,735,031**	**1,981,149**

20 - Pensions and other post-retirement benefits

The RP operates a defined contribution pension plan for its employees. The amount recognised as an expense in the period was:

	2020	2019
	£	£
Staff pension	76,819	68,152

21 – Capital commitments

Expenditure contracted for but not provided in the financial statements was £159,479 (2019: £180,441). Of this amount £52,333 was funded from cash and £107,146 was funded through an NHS grant. The total value of the grant was £365,900.

Expenditure authorised by the Board but not contracted was £NIL (2019: NIL)

22 - Related party transactions

At the date of these financial statements no Board and/or Board members were tenants/shared owners of the RP properties.

At the date of these financial statements there were no additional related party transactions.

23 – Financial instruments

The carrying amounts of Reside's financial instruments are as follows:

	2020 £	2019 £
Financial assets		
Measured at fair value through the Statement of Comprehensive Income:		
Fixed assets investments (note 12)	1,372,004	2,255,567
Debt instruments measured at amortised cost:		
Trade debtors net of provision for doubtful debt (note 13)	1,315,116	1,011,568
Other debtors (note 13)	904,279	813,872
Debt instruments measured at historical cost:		
Cash at bank and in hand	1,874,014	1,680,468
Financial liabilities		
Measured at amortised cost:		
Bank loans (notes 14 and 15)	2,907,162	3,054,348
Trade creditors (note 14)	1,876,049	1,389,388
Other creditors (note 14)	697,869	414,938

24 – Analysis of Changes in Net Debt

	At the Beginning of the Year £	Cash Flows £	Non-Cash Movements £	At the End of the Year £
Cash and Cash Equivalents	1,680,468	193,546	-	1,874,014
Housing Loans Due in One Year	(144,311)	144,311	(147,187)	(147,187)
Housing Loans Due After One Year	(2,910,037)	-	150,062	(2,759,975)
	(1,373,880)	337,857	2,875	(1,033,148)

25 – Transition to Housing SORP: 2018 update

There has been no effect on reserves following the adoption of the Housing SORP: 2018 from the Housing SORP 2014 for the comparative year to 31 March 2019.