THE CO-OPERATIVE DEVELOPMENT SOCIETY LIMITED

Financial Statements

Year ended
31 March 2021

Co-operative and Community Benefit Societies Act 2014: Registered number 17107R
Regulator of Social Housing: Registered number LH0170

Page:

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BOARD OF MANAGEMENT AND SENIOR MANAGEMENT TEAM

Members of the Board of Management of the Society who have served during the year 31 March 2021 were as follows:

BOARD OF MANAGEMENT

Ms Brigid Sutcliffe (Chair)
Mr Nick Whitaker (Honorary Treasurer)
Mr Tony Bush
Mr Matthew Creasey (appointed 23 November 2020)
Mr Satish Jassal (appointed 23 November 2020)
Mr David King (resigned 21 September 2020)
Mr Andrew Pakes
Ms Martha Slade
Ms Rebecca Southern
Mr Tony Watt
Ms Linda Wallace
Mr Nigel Wood
Mr Lawrence Zollner

Each member of the Board of Management, who is not also a member of the senior team, holds one fully paid share of £1 each in the Society.

SENIOR MANAGEMENT TEAM (SMT)

Members of the SMT during the year to 31 March 2021 were:

Linda Wallace	Chief Executive
Stephen Brown	Corporate Services Director (retired 31 March 2021)
Christina Friedenthal	Operations Director
Anne Hauxwell	Finance Director
David Smith	Client Services and New Business Director (resigned 14 July 2021)
Allison Sofekun	Corporate Services Director (appointed 8 March 2021)

REPORT OF THE BOARD OF MANAGEMENT

The Board presents its report and the audited financial statements of The Co-operative Development Society Limited (CDS) for the year ended 31 March 2021.

PRINCIPAL ACTIVITIES

CDS is a Charitable Community Benefit Society (previously a co-operative society) and a social landlord established in 1975 to provide, promote and support co-operative and community led housing. We are regulated by the Regulator of Social Housing (RSH) and registered with the Financial Conduct Authority (FCA). We also act as a co-op support agency providing landlord and business management services to a wide range of housing co-ops in London and the South East and we work with the GLA to reinvest some of our surpluses to promote growth in co-op and community led housing.

At March 2021, we owned 738 rented homes and 247 shared ownership and leasehold properties and provided services to 34 housing co-ops and their 1,500 homes.

Our work aims to be of benefit to the wider community, increasing opportunities for people to be well housed in a home that they can afford, with a commitment to the long-term stewardship and protection of assets and to maintaining affordability in our housing stock. We are a social business and the way we do things is as important to us as the things we do. We strive to build trust with our customers and partners by being reliable, fair and acting with integrity. With our co-op history, we believe we can achieve more by working with others, listening for understanding and showing kindness in our work to build effective collaboration.

THE YEAR UNDER REVIEW

Our mission is to help more people shape what matters to them at home or in their neighbourhood and to build a sense of belonging through co-op and community led housing.

Our strategic plan outlines our goals for our three key areas of business. In addition, the Board approves an operational plan each year which sets out specific tasks and goals for the year. During the year under review we continued to measure our progress against these goals.

In common with many organisations, we faced significant challenges related to the pandemic. Early fears of service disruption did not materialise as our prior investment in cloud-based CRM systems proved their worth in both flexibility and security. Our staff responded brilliantly to the sudden move to remote working, demonstrating resilience and compassion. Teams reached out to customers and supported them in a variety of ways, from ensuring people had food to making sure the rent could be paid. Debt management, at a very challenging time for many households, performed strongly with arrears at a lower level at the end of the year that at the start. We continued an emergency repairs service throughout the crisis and offered less urgent repairs based on priority needs. Although we could not progress our planned works programmes, we retained our focus on safety with the most urgent issues, particularly gas servicing and fire safety, being managed efficiently and effectively.

We learned a great deal from the experiences of the last year and, along with the shift in sector and legislative emphasis, this has prompted a change in focus for our future plans. Enabling and empowering residents and clients will form the basis of our future work and this is reflected in our plan. We are pleased that the organisation showed real resilience and focused correctly on supporting customers and clients during a difficult time. Where we were not able to meet our targets, these areas are also reflected as priorities for 2021/22 and beyond.

Service Performance for CDS residents

Our overall service performance for our CDS residents was good with particular successes on income management, complaints, and enquiry responses. Our performance on voids was negatively affected by the pandemic as we were legally prevented from reletting properties in the early part of the year.

Our repairs services also ran reasonably smoothly with emergency services protected throughout the year and overall completion of jobs falling within the top quartile performance band and with a lower than average number of jobs per property. More than 93% of customers (on a 30% sample) said that they were satisfied with their last repair. Whilst this is positive, it is tempered by the end of year satisfaction data which suggests that overall service delivery still needs attention in order to meet customer expectations. Repairs costs were significantly increased, mainly driven by contractor and management inconsistency linked to Covid 19.

ASB cases increased under the pressure of the pandemic with families forced to stay inside and often under financial and practical pressures, as well as facing illness and risk. Our teams ensured that ASB cases were well managed with sensitivity to all parties.

Overall, the trend for satisfaction across resident services is steady and upward and we will continue our focus on improving responsiveness, reliability and communication in the coming year.

Service Performance for Clients

Service performance for clients was also strong with good support to client organisations to manage the impact of the pandemic and most services being well maintained during the year. Arrears were more challenging for client residents, but performance recovered well by year end. Our repairs, ASB and complaints management performance was strong throughout the period.

Much of our energy was directed to ensuring that client organisations continued to be well governed, with a shift to online meetings for many co-ops. The Finance and Client teams worked well together to get audited accounts and AGMs completed. This was challenging work for our teams and for client management committees, but we were delighted that democratic control and oversight was maintained.

Safety Performance

The safety of our residents and staff remains our highest priority. Core safety performance was strong with all the regular safety checks for gas, communal electrical, legionella, asbestos, fire risk assessments, emergency lighting and alarm testing staying close to 100% all year. We did not experience significant problems with access for statutory gas checks and in the rare property where this did occur, for example where the occupier was away we were able to agree a gas cap to ensure that the property remained safe.

During the year we continued the work to address fire protection at our tallest property in London. We had originally planned for this work to be completed within the 2021 financial year, however, the pandemic and changing design requirements linked to EWS1 standards meant that the start on site was delayed. During the period, in consultation with LFB, we provided additional safety measures including full waking watch and upgraded communal and individual property heat and smoke alarms. We now expect the works to this block to complete in October 2021.

The costs for improving fire protection have increased as changes in requirements have been detailed. In 2019/20, we decided to fund works for homeowners in order to alleviate hardship and to safeguard the interests of tenants within the block by progressing and completing the project more quickly. The increase in estimated costs to completion has been included in these accounts.

During the year we carried out more extensive fire risk assessments on all of our blocks and this highlighted some additional works which are required in both the short and medium term. Urgent works have been completed or are underway whilst additional planned work has now been allowed for in our forward funding plans.

We were not able to commission the second phase of our planned domestic electrical testing and upgrade works during the pandemic and found it difficult to close out the first-year pilot programme due to access problems and non-availability of contractors, many of whom were small firms who furloughed staff. This further delay was of concern and caused us to move to a larger scale contract procurement to ensure full delivery within the 2021/22 financial year. The contract has been awarded and work will commence in September 2021.

Staff safety and welfare was well managed during the year with the introduction of an employee assistance programme, well-being activities, support, and encouragement to adopt healthy physical and mental health practices whilst working remotely and good contact with the team and managers.

Promoter Work

In 2017/18, we were instrumental in establishing The London Community Led Housing Hub with the GLA and with the support of other sector organisations such as the National CLT network and UK Cohousing Network. We now host the London CLH Hub providing practical advice, support and funding to emerging and established community led groups who wish to build homes. The GLA are supporting core costs for the hub team to deliver early stage advice for a wide range of interested organisations and alongside this are providing revenue and capital funding to support specific identified schemes. The hub administers a proportion of early stage revenue grant with advanced revenue and capital managed by the GLA directly. The GLA provides oversight of the Hub work through regular quarterly review meetings.

During the year the Hub extended its reach, and made progress on individual projects, including engaging with 87 groups or projects and allocating £788k of grants across 45 projects. In total, by the year end we have now allocated £1.4m of funding to projects The Hub Team did an excellent job in supporting groups to maintain focus and progress during the pandemic. After a slightly slow period during the first quarter, work returned to a nearly normal level and groups seemed to have more time to focus on their schemes whilst working from home or on furlough. The team have met or exceeded almost all targets for the GLA contract and have a strong pipeline of schemes.

The main additional area of promoter work was in supporting the founder member co-ops to become truly independent. This is challenging and some of the momentum that had been built up with local meetings was lost when the pandemic hit. However, we were delighted to see one co-op, Allnutt Mill Housing Co-op, appoint its first full resident management committee in March and look forward to supporting their enthusiasm for making a difference for their community. We continue to work with the main founder member committee to establish either independence of integration with an established landlord for the remaining founder member co-ops.

OUR FORWARD PLANS

In the coming year we will implement our new Corporate Plan which covers the period 2021 to 2025. This responds to our own learning through the pandemic and also to the legislative and regulatory emphasis on resident voice.

Our Vision

Our vision is that through co-op and community led housing, more people can shape the things that matter to them at home and have a sense of belonging in the place where they live.

Our mission is to help more people shape what matters to them at home or in their neighbourhood and to build a sense of belonging through co-op and community led housing.

We will do this by being a collaborative landlord, an enabling service provider and by promoting growth, innovation & co-operation.

Our Strategy

Our updated corporate strategy reflects our focus on community and belonging. Our plans for the year will to enable us to meet our commitment to the Together with Tenants Charter and to respond to the regulatory and legal environment, including the building safety bill, and proposed changes to regulation as well as the environmental

We believe that our unique position and history put us in a good position to be a leader on meaningful collaboration with residents, clients and staff and to demonstrate how this can deliver high levels of performance and satisfaction. We recognise where we have challenges with capacity and we monitor and mitigate our risks, which are outlined in the section below.

Our Priorities

Alongside our ‘business as usual’ targets, we have two business wide priorities that will be shared by the whole business is 2021/22. These priorities are directly related to our vision and mission.

Priority 1 - Build a Culture of Ownership and Collaboration

- Set standards and expectations for behaviours that support our culture.
- Provide training to support employees working in this way.
- Encourage culture of trying things out.
- Be accountable and relentlessly measure progress.
- Give and receive feedback.
- Build a sense of belonging & celebrate success.

Priority 2 - Radically Improve Service Experience

- Implement the Plentific platform for repairs ordering/management.
- Deliver planned improvements in our homes.
- Make it easier for our suppliers to get paid.
- Make it easy for clients to get things done, whilst remaining safe and well governed.
- Respond brilliantly to enquiries and service requests.

- Build a sense of belonging in all areas of our work.

To support these big goals, we have set priorities for each area of the organisation, covering business as usual, service improvement and new service areas.

RISK AND UNCERTAINTY

Our operating environment has had significant uncertainty in recent years. This has largely been related to the continuing impact of the Grenfell Tower tragedy in June 2017 and the UK departure from the European Union in 2020. More recently, the impact of the Coronavirus epidemic has had an effect, particularly on income risk, on the availability of contractors and materials and on access to homes for safety related work.

Key Risks

The RSH publishes an annual risk review which highlights health and safety, reputational risk and sales risk as the key 'rising risks' in the sector. CDS is not exposed to sales risk as even the small amount of sales income that is received from historic shared ownership sales is not included in our financial forecasts. This risk is therefore not considered further in this report.

Health & Safety Risk

As a social landlord we are responsible for ensuring that our tenants are safe in their homes and that our staff are safe at work. Compliance with the statutory requirements is a basic minimum to ensure that tenants are safe, and we are expected to do what we need to beyond this to demonstrate that health and safety risks are well managed. The CDS Board is responsible for ensuring that there are measures in place to identify, manage, monitor and report on risk in a way that provides it with effective oversight.

The new building safety bill sets out extensive reforms to regulations, particularly for higher rise buildings. For CDS, with no properties in this category and no active building programme, the main requirements that will affect our work are those about ensuring responsibilities for safety are in place.

The coronavirus pandemic introduced significant new risks particularly in relation to work in customers' homes and for our employees and the employees of contractors and partners. We implemented quick and effective measures for the immediate response and will keep our measures under review as we return to more normal working.

Reputational Risks

The Grenfell Tower fire brought social housing providers under extraordinary scrutiny about the way in which we operate, manage services and safety and how we relate to our residents. More than ever, we are expected to be conscious of the potential for reputational damage when things go wrong, not just for our organisation but for the sector more widely and the views of lenders, investors, central and local government. This needs to include all aspects of our work and business practices, not just safety and make us mindful of the operating practices of our clients and partners. Where we are supporting clients specifically in relation to their governance responsibilities, we need to ensure that clients are fully considering and appropriately responding to risk.

We are also mindful of the need to reflect more clearly the voice of our customers in the design and delivery of services and to ensure that we have process in place to guard against incorrect rent setting, data breaches and poor complaints.

Delivering Value for Money

Meeting the regulatory requirements in relation to value for money is an increasingly important part of our responsibility as an organisation funded largely by rents. Our value for money report included in this report, measures our performance against the standard metrics and our own goals.

Complaints

We recognise that it is important that we have in place clear standards for handling complaints, including lessons learnt. During the year the Housing Ombudsman published its new complaint handling code and we completed a self-assessment against this. Overall, we could demonstrate good compliance and where adjustments to our process were needed these have been made.

Data Security and Safety Monitoring

The collection and use of data presents a number of risks for us. Firstly, good data is essential to provide oversight of our business and to accurately report on our regulatory and statutory requirements. It is also critical that the data that we use is safely and appropriately managed, taking into consideration the more onerous requirements of the GDPR which came into effect recently. Finally, it is crucial that accurate and transparent data is held and used by us to monitor and gain assurance about our safety requirements.

We have improved our management of data to meet the GDPR requirements, providing training to all of our staff and information for all of our clients and we have introduced a cloud-based housing management core system which gives us the protection of internationally recognised data security through the use of Microsoft products. We have also invested in a specific health and safety post and a data management system to provide the business with oversight of compliance with statutory and regulatory requirements. In terms of cyber security threats, we are improving our technology solutions, moving toward more ‘industry standard’ and externally hosted solutions which have built in resilience to threats. We have also increased our insurance cover for the associated impact of those threats.

The move to offsite working, prompted by the pandemic, has meant that we have seen an increase in the risk of unauthorised access to data and of attempted fraud from IT spamming incidents due to the increased reliance on electronic communication and reduction in face to face contact. Staff have been reminded of the risks and the need to exercise caution. The existing processes and controls around payment controls continue to be applied and should capture any fraud attempt.

Operational risks

Existing Stock

The Home Standard requires us to meet all statutory requirements for the health and safety of occupiers and to meet the decent homes standard. As part of that standard we are also required to provide a cost effective repairs and maintenance service to homes and to communal areas and to have a prudent, planned approach to repairs and maintenance. Alongside an appropriate short and long-term approach, we need to ensure that our business plans have sufficient capacity to meet the required investment to meet the decent homes standard and ensure that our view is based on good quality and up to date information.

During 2018 we carried out a stock condition survey looking at a sample of homes on every estate that we own. This formed the basis of an asset management strategy agreed with the Board in 2019. The Government has now set a target for the UK to become 'net zero' in terms of carbon emissions by 2050. This will have significant impact on housing providers where existing homes contribute significantly. In implementing our asset management plan, we will consider how we can minimise harm with our approach and particularly focus on insulation and seeking out affordable alternatives to traditional solid fuel use.

Our stock was largely built around 25 – 30 years ago and some component elements are nearing the end of their life. Our asset management plan sees investment rise significantly over the life of the plan and with an increased ongoing commitment beyond the life of the plan. We also have plans that would allow us to accelerate the investment with more spent in the first three years if we are able to agree suitable financing arrangements. Whilst this plan and programme was delayed by the coronavirus measures, we are planning implementation for 2021.

Income Collection

We have identified income collection and debt as a key risk to the business and increasing debt is a key stress test for our business plan. Historically, income collection has been stable in housing associations with high demand and relatively low rents leading to consistently high levels of collection. The government rent regime changes over the period to March 2020 have reduced rent levels by 1% every year for five years but this was reversed by the rent settlement from 2020 which will see rents increase by CPI plus 1% for the next five years. Income collection has also been under pressure from the introduction of Universal Credit which can lead to higher than usual levels of debt, particularly from the first few weeks of payment.

At the start of the pandemic we identified an increase in the risk to income from customers being furloughed or losing their jobs. We invested in resources and prioritised helping customers who were moving to Universal Credit, perhaps for the first time, whilst ensuring that all accounts were kept under review. We are pleased with the success of these measures and our debt performance during the year, which has seen overall arrears fall.

Financial and Treasury Risks

Whilst the sector has some exposure to changes in interest rates and particularly to uncertainty related to Brexit, CDS' position is relatively safe. We have a low level of debt overall (£4.4m) of which less than £2m is variable rate. A variation of 1% in the interest rate would therefore equate to around £20k increase in our interest payments. Even on the Bank of England 'worst case' forecast, we should comfortably be able to service the debt that we hold.

During the year, inflation rates fell significantly, which has meant that the rent increase at March 2021 is lower than previously forecast, reducing our expected income. This in turn has meant that our surplus has come under pressure. In line with many providers, we expect costs to rise over the next few years including planned remedial safety works and the need for energy efficiency improvements to existing stock. We are aware of the need to manage our cost base effectively to maintain our viability in the longer term.

We have yet to receive the results of the September 2020 valuation of the Defined benefit section of the SHPS pension scheme. Once this is finalised, we expect it will result in an increase in contributions from 2022/23. We have closed our defined benefits scheme in favour of a defined contribution scheme for all existing and new entrants. Whilst this does not completely cap our exposure to the deficit risk in the current scheme, it does reduce it.

Management of risks

At CDS we have embedded risk management throughout our business with employees at every level taking responsibility for identifying and managing risks.

Our risk map details those risks that could prevent us from achieving our strategic objectives and the controls in place for mitigating those risks. It is prepared by the Senior Management Team, approved by the Board annually, reviewed by the Finance & Audit Committee at every meeting (quarterly) and discussed regularly by SMT and Operational Managers. The risk map focuses on 'live' risks and active risk management.

Impact of Coronavirus on risk

The pandemic had the effect of increasing risk in several areas and we identified areas of concern around income collection, access to properties and the impact of working away from the office. As noted above we took steps to mitigate these risks during the year and will continue to review them as we finalise our plans for how we will work in the future.

FINANCIAL RESULTS – HIGHLIGHTS

Overview

The organisation delivered an Operating surplus of £1,405k (2019/20 £937k) which equated to a net margin of 19.7% on turnover (2019/20 13.9%). We received £954k of net proceeds from property sales (2019/20 £329k) which are included in the operating surplus. Our surplus enables us to continue to invest in and improve the services we provide to our customers.

Our operating margin on social housing lettings (measured excluding losses and surpluses on disposals of properties and components) has fallen to 15% (2019/20 19%), largely due to increased maintenance and estate costs. Our overall operating margin (excluding disposals) fell from 13% to 6%.

Our Value for Money Statement for 2020/21 (included as part of this document) reviews our financial performance in more detail including our relative performance and plans for improving our profitability in future years to provide more resilience for changing demands and risks.

2020/21 Surplus before Taxation

Our 2020/21 surplus before taxation was £1,264k (2020/21: £752k), an overall increase of £512k. Net proceeds from property sales have increased by £624k and the prior year figure includes other income of £125k.

Also included in the statement of comprehensive income is the remeasurement of the SHPS pension scheme deferred benefit obligation for 2020/21, which has resulted in a charge of £1,268k (2019/20: a credit of £1,409k.

Excluding the effect of property sales and of other income, the underlying surplus has decreased by £32k.

There were a number of contributing factors, but the main ones were;

- An increase in lettings income of £52k (0.8%) due to the rent increase net of reduced service charge income.
- A decrease in Client income of £11k, due to some clients going elsewhere net of an inflationary price increase.
- An increase of £218k in housing management costs, mainly due to waking watch charges at Lithos Road.
- Increased spend on all areas of maintenance, including a significant increase in reactive maintenance spend but lower spend on planned and cyclical maintenance due to Covid19. A further £172k of costs relating to the Lithos Road project has been included in the SOCI for the year, compared to £296k in the prior year, being the proportion of the cost that relates to leasehold and shared owner properties. There has also been a reduction in the loss of disposal on components to £22k (£280k in the prior year) as the prior year included costs related to the Lithos road project.
- An increase in spend of £131k in staff costs, with more spent on temporary staff to cover vacancies but a decrease in spend in most overhead areas.

Allocation of Overheads (Notes 3 & 4)

Our allocation of costs between different business activities is based on a detailed review carried out with Housemark in 2015/16. We continue to use this base as there has been no significant change in the nature of work or attribution. Where possible the allocation uses an assessment of actual levels of activity and is updated for changes in the balance of activity in the business in each operating year. Overheads are apportioned in relation to either staff costs, units under ownership/management or turnover depending on the nature of the cost.

Statement of Financial Position

Our Statement of Financial Position demonstrates that we are financially strong with a significant property asset base of £34.0m at cost and reserves of £13.7m at the year end.

We have outstanding loan balances of £4.2m, producing a very low gearing, excluding cash balances, of only 9%. Our overall liquidity, including quick access to considerable cash reserves, provides us with confidence that we can meet our foreseeable commitments.

VALUE FOR MONEY

Our approach to value for money focuses on driving value through improved efficiency and improved services to both residents and clients. It also focuses on maximising our income by properly recovering the costs of our services to clients and in relation to service costs. We targeted Client services to break even from 2020.

Our strategy aims to deliver our overall mission in the most efficient, effective and economic way, whilst always working in line with our values. Our goal of making co-op and community led housing a mainstream option is focused on harnessing people's own efforts so that more residents can have a home that they enjoy and can afford and where they can shape what matters most. Our approach to enabling growth means that we are constantly looking ways to maximise the impact of our resources.

Our business streams

Each of our three business streams makes a unique and important contribution to achieving our goals.

Provider
As a collaborative social landlord, we seek to drive efficiency and improve service so that our surpluses grow and can be invested in delivering our vision of mainstream growth for the co-op and community led housing sector. We seek to model the benefits of effective collaboration by working closely with our customers.

Supporter
As a service agency, we make it easier for co-ops and other community led or smaller landlords to remain independent by providing reliable landlord and business services at a reasonable price. In this work we strive to embody our values, enabling clients to achieve their own goals through reliable core service and support for effective, well informed decision making. As we invest in our own infrastructure, we have an eye to how the decisions we make can enable greater independence and autonomy for clients in the future.

Promoter
As a promoter, we are a passionate advocate for mainstream growth in the co-op and community led housing market, facilitating collaboration, encouraging creativity, removing barriers and investing in the design of sustainable building, planning, legal and financial approaches that can be used by anyone.

We also work through the London Community Led Housing Hub with the GLA to provide practical advice, support and funding to emerging and established community led groups. We also look for opportunities to work with individual groups or projects where we might support a repeatable model or innovative approach to CLH

We recognise the we are custodians of historic public grant. By using our resources in this way, we believe we are making the most effective use of our assets, getting more homes built in line with our core purpose and working with others to deliver the infrastructure to sustain a new market.

Value for Money Strategy

Throughout the year ended 31 March 2021 we measured progress towards our key strategic goals:

- Provide good quality homes and reliable services for CDS residents.
- Deliver reliable and efficient landlord and business services for clients.
- Promote co-op and community led housing as a mainstream option.
- Be well managed and well governed.

Our VfM strategy focuses on driving value through improved efficiency and improved services to residents and clients. It also focuses on increasing our income by properly recovering the costs of our services from clients and in relation to service costs.

To maximise income (and surplus) in the Provider stream we will:

- Ensure full recovery of service charge costs.
- Manage customer debt and minimise the impact of the move to Universal Credit.
- Improve consistency and reliability in core services
- Implement our asset management plan to ensure our homes are safe and comfortable.

To ensure that the Supporter stream is sustainable and makes a small surplus, we will:

- Continue to review our pricing in line with benchmarked costs.
- Balance income losses with cost reductions.
- Improve our consistency and reliability in delivering contract services.
- Proactively manage client debt.

To drive value for money in the overall business, we will:

- Ensure we have the funding and flexibility in place to deliver our plans.
- Continue to prioritise employee engagement and build a collaborative culture.
- Improve our ICT for core housing services and our ICT infrastructure.

Value for money for us means achieving our goals with the right balance of quality, value and reliability and in line with our business values. Our internal reporting focuses on “controllable surplus” (excluding items such as interest or sales receipts) to encourage an active understanding of how decisions can impact on our results. We also use this as one of our selected VfM measures for external reporting along with our other key KPIs.

Measuring Value for Money

The Value for Money standard includes seven standard measures of VfM in our core landlord business, which are outlined below. In addition, it requires Providers to select their own measures which best reflect their strategic aims and overall approach to VfM. With this in mind, we have selected a small number of targets for each of our business streams.

We are primarily a service organisation and a key element of delivering value for money is that our customers know what they can expect from us, can rely on getting it and are happy with both quality and price.

We monitor VfM primarily through:

- Monitoring our business plan, operational plan and performance against targets.
- Benchmarking our performance and costs relative to our peers.
- Reviewing feedback from customers, clients, employees and other stakeholders.

In our Provider workstream we target consistent improvement in the following:

- Tenant satisfaction with overall service.
- Leaseholder satisfaction with overall service and value for money.
- Core Service performance, measured by improvements in arrears, complaints handling and repairs performance.
- Employee engagement.

- Controllable surplus against budget and improvement from year to year, based on agreed budget.
- Improving our safety compliance and culture.

Our targets for each metric and our performance against them in the current and prior year are shown in the table below.

In our **Supporter** stream we measure progress towards profitability, with the goal of generating a 5% surplus by 2020/21.

In our **Promoter** stream we will measure value for money by the extent to which we are able to deliver agreed outcomes using the promoter fund and the funds we administer on behalf of the GLA.

Value for Money Self-Assessment 2020/21

Measured against the standard metrics

Our performance for the year against the standard metrics is as follows. We have given comparatives from the 2019/20 Global account data for smaller providers (under 2,500 homes) and the sector scorecard values from 2020.

Value for Money Metrics	Actual 20/21	Actual 19/20	Global Accounts (smaller providers) 19/20	Sector scorecard 2020
Metric 1 – Reinvestment %	1.7%	2.2%	5.6%	6.1%
Metric 2 – New supply delivered %	0%	0%	0.7%	1.3%
Metric 3 – Gearing %	-12.5%	-8.0%	34.5%	33.8%
Metric 4 – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %	333%	350%	199%	196%
Metric 5 – Headline social housing cost per unit	4,595	4,544	4,600	4,023
Metric 6 – Operating Margin %				
Social housing lettings only	15.4%	18.9%	23.9%	23.6%
Overall (including Promotor)	7.6%	13.2%	20.3%	21.5%
Metric 7 – Return on capital employed (ROCE) %	3.7%	2.5%	3.0%	2.8%

The Sector scorecard comparisons are from the Housemark report which covers over 300 associations nationally. The Global Accounts analysis produced by the Regulator for Social Housing captures the data for all housing associations nationally. It also offers data for those housing associations which are over 1,000 homes but less than 2,500 homes nationally, which is the source of the comparison above. The average headline social housing cost per home is £3,690 for all providers and £4,600 for smaller landlords.

Our overall costs have risen, due to the increase in property spend, particularly reactive maintenance and additional unplanned safety costs which emerged during the year.

Reinvestment

Our business plan forecasts and allows for the projected investment needed to keep our homes in good repair. As part of our annual budget we allocate funds to spend on specific projects and on 'at fail' requirements, recognising that homes respond to use and environment as well as age and that our geography offers limited opportunities for economies of scale through procurement. The amount that we spend varies year to year depending both on what projects are planned and the "at fail" needs.

In the current year we saw lower investment as the pandemic caused delay to the implementation of our asset management plans, although we continued to have the requirement to replace components at fail. We also saw an increase in the estimated cost of the works to improve fire safety at our Lithos Road estate.

In the coming year we will start to implement our asset management plans and over the next few years this will see us increase our reinvestment spend. We will continue to balance investment to ensure we meet safety and decency requirements and then work with customers to ensure we prioritise those things that customers most value. We also want to make sure that investment is used across our stock so that all customers feel the benefit of greater investment in some way. This will mean continuing to carry out targeted rather than blanket works on estates.

New Supply Delivered

The Board has considered how CDS can best use its assets to meet the challenge of providing more homes, taking account of our capacity and our specific purpose. We believe we can best achieve this by enabling the design and delivery of mainstream co-op and community housing solutions, in collaboration with others, measuring our success by the number of homes built overall, rather than simply additions to our own stock.

The Board recognises that we will sometimes be the developer of choice, particularly where sites are adjacent to our own, where existing relationships offer advantageous deals or where there is the opportunity to pilot a new CLH approach. In these cases, we will consider each scheme on its merits, seeking to use our borrowing capacity to deliver more affordable and community led homes in line with our overall vision. For the year 2020/21 we invested £41k in promoter activities from our surplus and we allocated £910k of the funds that we administer on behalf of the GLA, to providing support and direct grants to community led housing groups and projects.

Gearing

CDS has relatively low gearing even compared to other non-developing providers (2019 sector scorecard benchmark was 20% for this category) reflecting the age of the stock and low calls on borrowing for further investment. The standard measure also includes cash, so our ratio is negative and has reduced since last year, reflecting both the fact that we continue to repay debt and the amount of cash held at the year end. The ratio indicates lower risk but also potential unused borrowing capacity for the future.

Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %

This measure is also an indication of risk and of borrowing capacity. We expect this to increase over time as we repay debt, improve Provider surpluses and reduce deficit on our Supporter workstream. The decrease in the current year is because we have spent more on property costs and one off costs relating to our Lithos estate. Despite the decrease in the current year and our lower than average profitability, this measure is high compared to the benchmark. This is a reflection of our very low gearing compared to the benchmark and our lower than average spend on major repairs (as indicated by the reinvestment metric).

Headline social housing cost per unit

This is the cost measured across our rented (738) and shared ownership (83) homes. Compared to the prior year, Social Housing costs have increased by 12%, excluding major repairs. We have spent more on property costs this year, particularly reactive maintenance this year and also faced some one off costs. Based on the underlying figures, however, we still believe our costs are comparable value to those of organisations with similar size and geography.

Operating Margin

Our operating margin on Social Housing lettings is below the sector average. Our cost per unit is higher than average due to the higher maintenance and additional one-off costs in the year.

Our overall margin is lower than that on Social Housing alone, due to the inclusion of our Client Services (Supporter) business which is just in surplus. We missed our target of improving this to a small margin for risk (about 5%) in the year due to challenges with staffing, including having to recruit temporary staff, but it remains our target to do so. This more sustainable business will be the basis for growth in support of the emerging community led housing market and other smaller landlords. Total margin also includes the promoter stream which shows a small deficit and so reduces overall margin.

Return on Capital Employed

This measure has increased year on year due to a higher operating surplus, mainly due to much higher sales of properties.

Measured against our chosen metrics

In addition to the standard metrics we also measure performance against our specific metrics which we have chosen to align with our strategic goals.

CDS Specific Value for Money Metrics	Target	Met or not met	Actual 20/21	Actual 19/20
Provider Stream				
Tenant satisfaction with overall service (ytd April 21 vs April 20)	Improving	Met, improved	75%	72%
Homeowner satisfaction with overall service (ytd April 21 vs April 20)	Improving	Not Met	48%	59%
Core Service Performance: Complaints Resolved in Target	95.0%	Not Met	93%	100%
Average days to complete a repair	Less than 7.5	Not Met	7.91	6.7
Current tenant arrears as % rent debit	Less than 3.0%	Met, improved	1.6%	2.3%
Employee engagement	Improving	Not Met	71%	71%
Controllable Surplus (excluding disposal of fixed assets and promotor activities)	Improving	Not met	£513k	£961k
Legal Compliance / Outstanding safety actions - % gas safety certs and FRAs in date	100%	Met	100%	100%
Operating surplus on Client business	Improving to 5% by March 2021	Not Met, improved	0.7%	0.2%

Customer Satisfaction – Tenants and Leaseholders

Overall tenant satisfaction for the full year has increased from 72% to 75%. Results have varied from quarter to quarter but the overall trend over the last two years remains upwards. On individual measures we have seen increases in all areas other than satisfaction with quality of home which has fallen from 77% to 74%. Our lowest scores remain reliability and satisfaction with the repairs service. We believe that the improvements we have made and are planning to our repairs service and the start of implementing the asset management program will address these issues.

Homeowner satisfaction has reduced however from 59% last year (and 54% in the year before) to an overall score of 48%, with reductions in satisfaction with quality of home and the repairs service.

A key part of our value for money strategy is to increase satisfaction with services whilst keeping costs below average compared to our peers. As in previous years our lowest scores are around communication and reliability as well as satisfaction with the repairs service. During the year we trialled a new platform for repairs which has shown positive results in satisfaction and time to complete repairs and so, since the year end, this has been rolled out throughout our stock. We are also trialling a patch based approach for the repairs team with a view to determining what structure will enable us to provide the best service for our customers going forward.

Controllable Surplus – Provider Stream

We measure controllable surplus before gains or losses on the disposal of fixed assets and excluding our Promoter activities.

Excluding disposals, our surplus has decreased by £448k on the previous year (from £961k to £513k). In the current year we have spent more on all areas of maintenance, partly as a result of the increased cost of fire safety works at our Lithos Road estate, of which £172k expenditure is included in the SOCI and seen some additional one-off costs such as the cost of a waking watch at the same estate which was required while we upgraded the fire alarm. Income is similar to last year as the increase in rents has been offset by lower service charge income and lower amortisation, due to property sales.

Our strategic aim is for this measure to increase year on year and for us to meet our controllable surplus. In 2020/21 we did not meet this goal due to spending more than planned on maintenance and to costs relating to Lithos Road which were not included in the Plan for the year.

Legal Compliance and Safety actions

We me our target for 100% compliance for completed Fire Risk Assessments (FRAs) and gas safety certificates.

Operating Surplus – Supporter Stream

Our strategic aim was for the Client Services business to break even and generate a small (5%) margin to cover risk by March 2021. We missed this target in 2020/21 mainly as a result of additional temporary staffing costs.

How Will We Improve Value for Money?

For 2021/22 we will continue to improve value for money and to address weakness. We have targeted the following specific projects, including projects which have been delayed since last year.

- Prioritise investment in safety, decency and customer preference so that we make the most impact with our resources.

- Continue the roll out of the Plentific system for repairs to offer a wider range of contractors and increased competition. This will also improve the customer experience and allow us to process orders and invoices more efficiently, reducing double handling.

- Implement an upgraded finance system which will enable us to work more efficiently and if required, more flexibly, including away from the office. We will also use the improved functionality to modernise and streamline our processes whilst ensuring that we retain strong controls. This will enable us to work more efficiently and to make it easier for our suppliers to get paid for their work.

- Use of procurement frameworks to improve our commissioning of consultants and works.

- Ensure we deliver 5% profitability for client services, reviewing our service offering and pricing to check that we remain competitive whilst recovering all costs.

- Organise our teams to provide the best and most efficient service to our residents and clients.

- Review the ways that we interact with our customers, clients and suppliers to make sure we are efficient whilst giving a great service and being easy to deal with.

- Continue to focus on our rent collection and arrears performance and support customers to pay their rent.

- Ensure we have the funding and flexibility in place to deliver our investment plans.

- Use benchmarking more effectively to compare our costs and performance to our peers.

COMPLIANCE

HCA Governance and Financial Viability Standard

The Board annually reviews and confirms compliance with the HCA Regulatory Code, particularly the Governance and Financial Viability standard. The report as at 30 June 2021, which confirmed that CDS is able to demonstrate full compliance with this standard, was approved by the Board in July.

NHF Code of Governance

We have adopted the National Housing Federation Code of Governance. The NHF Code was updated in early 2015 and the Board conducts regular reviews of compliance with the updated code, with the latest taking place in Autumn 2020. We have agreed to adopt the new code and will be complaint by March 2021.

There is one area of the current code where the Board specifically decided not to comply.

- The CDS governance structure includes a governance and remuneration committee that is Chaired by the Board Chair, which conflicts with the Code of Governance which states that the Board Chair should not Chair a remuneration committee. This will be resolved by the end of the 2021/22 financial year with the responsibilities of the Governance & Remuneration Committee split and the meetings separately chaired.

NHF Voluntary Code on Mergers, Group Structures and Partnerships

In January 2016, the Board agreed to adopt the above code.

The Board has agreed that there is no immediate need or benefit to be obtained from pursuing a merger. Partnerships to share services or central costs are of interest and any approach would receive appropriate consideration as to its value in increasing the pace or scale of movement towards the business mission.

No proposals for merger were made in the year and no representations were received from any third party with any proposals for merger.

STATEMENT OF BOARD'S RESPONSIBILITIES

As a Registered Provider of Social Housing, the Board is responsible for preparing the report and financial statements for each financial year in accordance with applicable law and regulations, Co-operative and Community Benefit Societies Act 2014 and registered social landlord legislation. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Co-operative and Community Benefit Societies Act 2014, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Society for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and 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;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that CDS 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 CDS and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2019 and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers 2018.

The Board has general responsibility for safeguarding the assets of CDS and hence for the prevention and detection of fraud and other irregularities.

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

STATEMENT ON INTERNAL CONTROLS

The Board has overall responsibility for establishing and maintaining the whole system of internal control and reviewing its effectiveness.

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

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which is embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Society is exposed. The Board ensures that there is a long-term business plan setting out both the goals of the Society and our financial capacity and this plan is robustly tested. Our risk assessment framework is directly related to ensuring that we manage and mitigate those risks that might undermine our ability to meet our business plan goals.

The process adopted by the Board in reviewing the effectiveness of the system of internal controls, together with some of the key elements of the control framework includes:

- Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Society's activities. This process is co-ordinated through a regular reporting framework by the senior management team which regularly considers reports on significant risks facing the Society and the team is responsible for reporting to the Board any significant changes affecting key risks.

- Monitoring and corrective action

A process of control self-assessment and regular management reporting on control issues provides hierarchical assurance to management and to the Board. This includes an agreed programme of internal audit reviews designed to provide regular and objective assurance on key internal controls. There is in place a rigorous procedure for ensuring that corrective action is identified in relation to any significant control issues, particularly those with a material impact on the financial statements.

- Control environment and control procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, and financial and compliance issues including new investment projects. The Board has adopted and disseminated to all employees a code of conduct for board members and staff based upon the NHF code of governance. This sets out the Society's requirements with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, asset protection and fraud prevention and protection.

- Information and financial reporting systems

Financial reporting procedures include detailed budgets for the year ahead and forecasts for the subsequent four years, as well as detailed cash flow forecasts for the same period. These are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

- Arrangements for managing the risk of fraud

The Board has an anti-fraud policy which sets out the arrangements for preventing, detection and reporting of fraud. As part of the internal fraud review, the board has reviewed the fraud register. There have been no significant frauds or attempted frauds during the year under review.

- Key Risks

The Board considers that the key risks that are most likely to influence future performance and our ability to deliver our business objectives are economic and political, staff turnover, information and communications technology, internal controls and health and safety. More detail on the key risks and the action taken to mitigate these risks is included in the Risk and Uncertainty section above.

- Internal audit

The internal control framework and risk management process are subject to regular review by the Internal Auditors who are responsible for providing independent assurance to the Board via its Finance & Audit Committee. The Finance & Audit Committee considers internal controls and risk at each of its meetings.

- Annual review of the effectiveness of internal controls

The Board confirms that it has received the annual report of the senior management team on the effectiveness of internal controls and has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Society. This process has been in place throughout the year under review and up to the date of the approval of these statements and is regularly reviewed by the Board. The Board confirms that no weaknesses in internal controls have resulted in any material losses, contingencies or uncertainties which would require disclosure in the financial statements.

EQUALITY AND DIVERSITY

CDS is committed to operating fairly and openly and without discrimination. All decisions relating to employment practices will be objective, free from bias and based solely on work criteria and individual merit. We are responsive to the needs of our employees, residents and the community at large.

HEALTH AND SAFETY

The Board receives an annual health and safety report with regular updates on safety for employees, residents, partners and other parties. The health and safety of CDS's employees, residents and partners is paramount to the Board and we are constantly seeking to develop a safety aware and safety confident culture.

We strive for safe and healthy working conditions, housing, equipment and systems of work for all those connected with the Society and to provide such information, training and supervision as is needed for this purpose. We have also taken steps to improve assurance in respect of contractor safety performance providing additional training to partners on key risks. During the year we strengthened our external competent person support for employees and for independent support and assurance to the Board.

There have been no material health and safety breaches in the year.

DISCLOSURE OF INFORMATION TO AUDITORS

At the date of making this report each of CDS's Board Members, as set out on page 2, confirm the following:

- so far as each Board Member is aware there is no relevant information needed by CDS's auditors in connection with preparing their report of which CDS'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 information needed by CDS's auditors in connection with preparing their report and to establish that CDS's auditors are aware of that information

GOING CONCERN

CDS has a significant property asset base of £34.0m at depreciated cost and reserves of £13.7m at the year end. Loans outstanding were £4.2m and although CDS has no overdraft facility we had total cash holdings of £8.4m.

CDS complies with the Governance and Financial Viability Standard, which means that we need both to have access to sufficient liquidity (for us this is met by cash reserves) to meet our obligations and to comply with our loan covenants. We monitor actual and expected compliance with loan covenants throughout the year.

Our operating budget for 2021/22 shows a good surplus and that we had sufficient headroom on our loan covenants. Our Asset Management plans were delayed from last year due to the pandemic, but we are now keen to implement them and to bring delayed work up to date. We are in active discussions with our lenders about short and longer term financing to support this work.

We performed a range of stress tests on the business plan and identified arrears and large unexpected costs, most likely safety related, as the two most significant risks to the plan. We have assessed the likely impact and consider that we have appropriate mitigation in place.

Our treasury strategy also provides that we consider CDS' cash requirements over the medium term (at least the next 24 months) and that an updated cash flow is prepared on at least a quarterly basis. The cash flow shows that we have sufficient cash to meet our needs over this period.

Based on the Board's projections, including the long-term business plan and the 24-month cash forecast, The Board has a reasonable expectation that CDS will continue to deliver adequate surpluses and meet its financial covenants and that CDS has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board has concluded that a material uncertainty does not exist and as a result continues to adopt the going concern basis in preparing the financial statements.

By order of the Board of Management

A Sofekun
Secretary Date: 20 September 2021

Independent Auditor's Report to the Members of The Co-operative Development Society Limited

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 March 2021 and of the Society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014.

We have audited the financial statements of The Co-operative Development Society Limited ("the Society") for the year ended 31 March 2021 which comprise the Society statement of comprehensive income, the Society statement of financial position, the Society statement of changes in equity, the cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remain independent of the Society 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the board members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.
Our responsibilities and the responsibilities of the board members with respect to going concern are described in the relevant sections of this report.

Other information

The board are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information including the Strategic Report, Statement of Corporate Governance and Internal Controls and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the board

As explained more fully in the board members responsibilities statement set out on page 20, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Society'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 Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Based on our understanding of the Society and the industry in which it operates, we identified that the principal laws and regulations that directly affect the financial statements to be the Housing and Regeneration Act 2008, the Co-operative and Community Benefit Societies Act 2014 and relevant Tax Legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

In addition, the Society is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: Employment Law, Data Protection and Health and Safety Legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board and other management and inspection of regulatory and legal correspondence if any.

Audit procedures capable of detecting irregularities including fraud performed by the engagement team included:

- Performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud. Areas of identified risk are then tested substantively;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the Regulator to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Reviewing items included in the group fraud register as well as the results of internal audit's investigation into these matters;
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the recoverable amount of assets and the provisions against bad debt;
- Carrying out detailed testing, on a sample basis, of transactions and balances agreeing to appropriate documentary evidence to verify the completeness, existence and accuracy of the reported financial statements; and
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments.

There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

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

Use of our report

This report is made solely to the members of the Society, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society'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 Society for our audit work, for this report, or for the opinions we have formed.

BDO LLP
Statutory Auditor
Gatwick

September 2021

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

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2021

	Note	2021 £	2020 £
Turnover	3	7,137,710	6,736,506
Operating costs	3	(6,686,996)	(6,253,746)
Surplus on sale of housing properties	5	954,089	329,483
Other Income		-	125,000
Operating surplus	3	1,404,803	937,243
Investment and other income	6	4,393	15,124
Interest payable and similar charges	7	(145,265)	(200,795)
Surplus before taxation		1,263,931	751,572
Tax on surplus on ordinary activities	11	19,677	(139,145)
Surplus for the financial year		1,283,608	612,427
Actuarial loss in respect of pension schemes	21	-	-
Re-measurement of pension obligation	21	(1,268,000)	1,409,000
Total comprehensive income for the year		15,608	2,021,427

All amounts relate to continuing activities.

These financial statements were approved by the Board of Management and signed on its behalf by:

B. SUTCLIFFE
Chair

N. WHITAKER
Treasurer

A. SOFEKUN
Secretary

Date of approval: 20 September 2021

The notes on pages 33 to 58 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES
At 31 March 2021

	Revenue Reserve £
At 1 April 2019	11,631,263
Deficit for the year	2,021,427
At 31 March 2020	13,652,690
Surplus for the year	15,608
At 31 March 2021	13,668,298

The notes on pages 33 to 58 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
At 31 March 2021

	Note	2021 £	2020 £
Tangible fixed assets			
Housing properties	12	33,992,511	34,333,533
Other fixed assets	13	359,654	373,465
Fixed asset investment	14	21,364	20,742
		34,373,529	34,727,740
Current assets			
Debtors	15	262,858	350,081
Cash at bank and in hand		8,424,651	7,079,668
		8,687,509	7,429,749
Creditors: amounts falling due within one year	16	(5,240,859)	(4,877,957)
Net current assets		3,446,650	2,551,792
Total assets less current liabilities		37,820,179	37,279,532
Creditors: amounts falling due after one year	17	(22,195,943)	(22,719,517)
Defined benefit pension liability	21	(1,955,927)	(907,315)
Total net assets		13,668,309	13,652,700
Capital and reserves			
Share capital	22	11	10
Revenue reserve		13,668,298	13,652,690
Total capital and reserves		13,668,309	13,652,700

All shareholdings relate to non-equity interests, as disclosed in note 22.

These financial statements were approved by the Board of Management and signed on its behalf by:

B. SUTCLIFFE	**N. WHITAKER**	**A. SOFEKUN**
Chair	Treasurer	Secretary

Date of approval: 20 September 2021

The notes on pages 33 to 58 form part of these financial statements.

STATEMENT OF CASHFLOWS
For the year ended 31 March 2021

	Note	2021	2020
			£
Cash from operations	23	1,364,476	2,616,334
Corporation tax paid		(117,490)	(247,179)
Net cash inflow from operating activities		1,233,899	2,369,155
Cash flow from investing activities			
Purchase of fixed assets – housing properties		(565,323)	(769,173)
Purchase of fixed assets – other		(85,885)	(82,466)
Net proceeds from sales of housing properties		1,102,263	421,829
Social Housing Grant repaid		(51,786)	(115,576)
Interest received		4,513	14,520
Net cash used in investing activities		(403,782)	(530,866)
Cash flow from financing activities			
Repayment of borrowings		(184,522)	(170,097)
Interest paid		(121,265)	(145,795)
Share issued		2	-
Shares redeemed		(1)	(270)
Net cash used in financing activities		(305,786)	(316,162)
Net increase in cash and cash equivalents		1,344,983	1,522,127
Cash and cash equivalents at the beginning of the year		7,079,668	5,557,541
Cash and cash equivalents at the end of the year		8,424,651	7,079,668

Cash and cash equivalents consist of:		
Cash at bank in hand	8,424,651	7,079,668
Bank overdraft	-	-
Cash and cash equivalents	8,424,651	7,079,668

The notes on pages 33 to 58 form part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently from one financial year to another and in dealing with items which are considered to be material in relation to the financial statements of The Co-operative Development Society Limited (The Society).

Basis of preparation

The Society is registered under the Co-operative and Community Benefit Societies Act 2014 and is a registered provider of social housing.

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), and the Housing SORP 2018 Statement of Recommended Practice for registered social housing providers (Housing SORP 2018) and comply with the Accounting Requirements for Private Registered Providers of Social Housing 2019 (the Accounting Direction).

The functional currency is GBP sterling. The preparation of the financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the Society's management to exercise judgement in applying its accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Going concern

The Society's activities, its current financial position and factors likely to affect its future development are set out within the Report of the Board.

The Society has in place long term debt facilities as well as considerable cash reserves which provide adequate resources to finance committed reinvestment programmes along with day to day operations.

The Society also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants. This plan has been stress tested, key risks, their likely impact and appropriate mitigation have been identified. The budget for the current year also shows a good surplus.

The Society's treasury strategy also provides that cash requirements over the medium term (at least the next 24 months) are considered and that an updated cash flow is prepared on at least a quarterly basis. The cash flow shows that sufficient cash is available to meet expected needs over this period.

On this basis, the Board has a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, in the opinion of the Board, a material uncertainty does not exist and as a result it continues to adopt the going concern basis of preparation in the financial statements.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Turnover

Turnover represents rental income (receivable net of rent losses from voids), leaseholder service charges, first tranche sales of shared ownership properties and proceeds from sale of housing properties developed for sale, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year, revenue grants receivable in the year and amortisation of deferred capital grants.

Revenue recognition

Rental income is recognised from the point when the properties under development reach practical completion or otherwise become available for letting. Revenue grants are recognised when the conditions for receipt of grant funding have been met. Income from deferred capital grants is recognised in turnover in a systematic basis over the useful economic life of the asset (usually the properties fabric) for which it was received. Income from services contracts is recognised in the period to which it relates.

Value Added Tax

The Society is VAT registered but a large proportion of its income, comprising rents, is exempt for VAT purposes. Accordingly, expenditure relating to rental income is shown inclusive of VAT in these accounts. VAT on expenditure relating to taxable supplies is reclaimable in full and, accordingly, this expenditure is shown net of VAT in these accounts. For expenditure of a general nature (i.e. certain overheads) which cannot be directly attributed to exempt or taxable supplies the partial exemption provisions apply. This expenditure is accounted for net and irrecoverable VAT is charged to other expenditure.

Interest payable

The arrangement fees and legal costs incurred in connection with loan facilities have been capitalised as part of loan issue costs and will be amortised over the term of the facilities or until there is a significant event that would require immediate expensing.

Housing properties

Housing properties are properties available for Social rent and properties subject to shared ownership leases. Housing properties are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements which have resulted in an economic benefit to the Society as well as directly incremental overhead costs and staff time associated with new developments, improvements and component-works.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Depreciation of housing properties

The Society accounts for its expenditure on housing properties using component accounting. A housing property is divided into those major components which are considered to have substantially different useful economic lives. These components are then depreciated over their individual useful economic lives.

The components identified by the Society and their respective useful economic lives are as follows:

Component	Useful Economic Life
Structure	100 Years
Structure (Sylhet)	59 Years
Kitchens	20 Years
Boilers	15 Years
Wiring	25 Years
Bathrooms	25 Years
Heating	30 Years
Roof	60 Years
Windows	30 Years
Lifts	30 Years

Where a separately identified and depreciated component of an existing property is replaced, the carrying value of the component is expensed and the cost of the replacement component capitalised.

Expenditure on items not separately identified as components are capitalised if they result in an increase in the net rental stream over the life of the property, over the standard originally assessed when the property was first acquired or constructed.

Freehold land is not depreciated. Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Other fixed assets and depreciation

Other fixed assets are stated at cost less accumulated depreciation. Depreciation is charged for a full year in the year of acquisition on a straight line basis with no charge in the year of disposal. The principal annual rates used for other assets are:

Improvements to leasehold offices	-	over the term of the lease
Office furniture and equipment	-	20%
Computer equipment and software	-	20%
Tenant service equipment	-	25%
Community buildings	-	2%

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Impairment of tangible fixed assets

Tangible fixed assets (mainly housing properties) are assessed for indicators of impairment at each reporting date. Where indicators are identified a detailed assessment is then undertaken at estate or block level to determine the assets or cash generating units (CGUs) recoverable amount. The recoverable amount will be the higher of fair value less costs to sell, or Existing Use Valuation for Social Housing (EUV-SH), or Value in Use (in respect of assets held for their service potential) (VIU-SP). As allowed by Housing SORP 2018 the Society uses Depreciated Replacement Cost (DRC) as a reasonable estimate of VIU-SP.

Where the carrying amount of an asset or CGU is deemed to exceed its recoverable amount, the excess will be recognised in the Statement of Comprehensive Income.

Financial assets

Basic financial assets, including tenant debtors and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

Social Housing Grant (SHG) and other capital grants

SHG is receivable from the Homes and Communities Agency (HCA), and other capital grants are receivable from local authorities and other organisations.

Grant received is recognised as deferred income in the Balance Sheet and released to the Statement of Comprehensive Income on a systematic basis over the useful economic life of the asset for which it was received, usually a housing property's fabric.

When a Grant funded property is sold, any attributable Grant becomes recyclable and is transferred to a recycled capital grant fund (RCGF) or disposal proceeds fund (DPF for right to acquire units) until it is reinvested in a replacement property. The related Grant amortisation is charged to the Income and Expenditure Account.

CDS administers grant funding on behalf of the GLA as part of its London Hub activity to support "early stage" Community Led Housing projects. This funding is released to the Statement of comprehensive income to match the costs of providing this support, including direct grants awarded to projects. Unallocated grant is shown in other creditors and accruals falling due within one year.

Recycled capital grant fund

The Grant element on the net sale receipts of Grant funded properties, typically right to buy or shared ownership staircasing but not right to acquire, are required to be credited to a recycled capital grant fund under the terms of the SHG originally paid on such properties. Within the terms defined by the Homes and Communities Agency (HCA) the fund is to be used to provide replacement properties for rent, land acquisition and works to existing stocks or if unused within three years, is repayable to the HCA.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Pension costs

CDS participates in the Social Housing Pension Scheme (SHPS), which is a defined benefit scheme in relation to certain employees and past employees. The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation less the fair value of the plan assets at the reporting date.

The 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 current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as remeasurement of net defined benefit liability. Further details are shown in note 21.

Provisions

CDS only makes provision for any contractual and constructive liabilities existing at the balance sheet date.

Leased assets

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the respective lease terms.

Taxation

Since 8 August 2019, CDS has been a charitable Community Benefit Society. It also has exempt tax status, effective the same date and does not therefore pay Corporation Tax on surpluses generated from its Charitable activities. In the prior year the charge for taxation is based upon the surplus generated prior to conversion and includes current tax and deferred tax.

Deferred tax

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Society anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Any assets and liabilities recognised have not been discounted.

Deferred tax is measured at the tax rates expected to apply in the periods when the timing differences are expected to reverse, based on tax rate and law enacted or substantially enacted at the balance sheet date.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with FRS 102 requires that management exercise its judgement in the process of applying the Society's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Determining whether an impairment review is required

Annually housing properties are assessed for impairment indicators and, in particular, factors that could impact on ability to let the property. These include the condition of the properties, current experience of void periods, including short term effects such as letting delays caused by the Coronavirus epidemic and demand for properties in the local area. We also consider any property specific factors such as upcoming works that might indicate the need to impair or dispose existing components and any recent valuations obtained. No indicators were identified that required a full impairment review and no impairment losses have been recognised in the year.

(b) Key accounting estimates and assumptions

Preparation of the financial statements requires management to make significant judgement and estimates. The areas in the financial statements where these have been made include impairment, capitalisation and any areas where there is estimation or uncertainty.

(i) Useful economic lives of tangible fixed assets

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

(ii) Impairment of debtors

The Society makes an estimate of the recoverable value of tenant and other debtors. When assessing impairment of tenant and other debtors, management considers factors including the ageing profile of debtors and historical experience. We make a provision of 35% against current tenant arrears and 100% against former tenant arrears. We have considered this level of provision in light of current experience of income collection during the current Coronavirus epidemic and consider it to be adequate. For other, non tenant debtors we consider the recoverability of balances on a case by case basis and make provision as required.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (continued)

(iii) Defined benefit obligation

The estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Management has adopted the assumptions proposed by the SHPs scheme actuaries. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 21). The net defined benefit pension liability at 31 March 2021 was £1,956k.

3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS BEFORE TAX

	Turnover	Other Income	Operating costs	2021 Operating surplus / (deficit)	Turnover	Other Income	Operating costs	2020 Operating surplus / (deficit)
	£	£	£	£	£	£	£	£
Income and expenditure from social housing lettings (note 4)								
General needs accommodation	4,348,862	-	(3,536,701)	812,161	4,317,226	-	(3,530,520)	786,706
Shared ownership accommodation	288,172	-	(409,818)	(121,646)	321,237	-	(509,661)	(188,424)
	4,637,034	-	(3,946,519)	690,515	4,638,463	-	(4,040,181)	598,282
Income and expenditure from other social housing activities								
Tenant participation / training	-	-	(13,680)	(13,680)	-	-	(16,422)	(16,422)
Leasehold services	147,545	-	(365,455)	(217,910)	152,132	-	(205,799)	(53,667)
Promoter activities	910,451	-	(951,163)	(40,712)	501,970	-	(575,326)	(73,356)
Gain on disposal of housing properties	-	954,089	-	954,089	-	329,483	-	329,483
	1,057,996	954,089	(1,330,298)	681,787	654,102	329,483	(797,547)	186,038
Non-social housing activities								
Fees from managed associations	1,419,970	-	(1,410,179)	9,791	1,419,032	-	(1,416,018)	3,014
Commercial letting	22,710	-	-	22,710	24,909	-	-	24,909
Other Income	-	-	-	-	-	125,000	-	125,000
	1,442,680	-	(1,410,179)	32,501	1,443,941	125,000	(1,416,018)	152,923
Total	7,137,710	954,089	(6,686,996)	1,404,803	6,736,506	454,483	(6,253,746)	937,243

4. INCOME AND EXPENDITURE FROM LETTINGS	**General needs properties £**	**Shared ownership properties £**	**2021 Total £**	**General needs properties £**	**Shared ownership properties £**	**2020 Total £**
Income from lettings						
Rents receivable net of identifiable service charges	3,890,110	255,222	4,145,332	3,797,423	256,154	4,053,577
Service charges receivable	176,092	54,838	230,930	231,304	56,531	287,835
Amortisation of deferred capital grants	282,660	(21,888)	260,772	288,499	8,552	297,051
Total income from social housing lettings	4,348,862	288,172	4,637,034	4,317,226	321,237	4,638,463
Expenditure on lettings						
Estate services	(440,231)	(96,194)	(536,425)	(277,504)	(54,039)	(331,542)
Management – normal	(761,132)	(66,662)	(827,794)	(819,958)	(95,100)	(915,058)
Routine maintenance	(1,361,889)	(9,740)	(1,371,629)	(1,066,379)	(27,211)	(1,093,591)
Cyclical repairs	(148,186)	(200,908)	(349,094)	(235,005)	(221,777)	(456,782)
Rent losses from bad debts	(1,785)	171	(1,614)	(12,743)	2,129	(10,614)
Major repairs expenditure	(84,101)	(17,691)	(101,792)	(160,801)	(20,730)	(181,532)
Component disposals	(21,570)	-	(21,570)	(205,741)	(74,709)	(280,450)
Property depreciation	(717,807)	(18,794)	(736,601)	(752,388)	(18,223)	(770,611)
Total expenditure on social housing lettings	(3,536,701)	(409,818)	(3,946,519)	(3,530,520)	(509,661)	(4,040,181)
Operational surplus / on social housing lettings	812,161	(121,646)	690,515	786,706	108,062	598,282
Rent losses from voids	(20,419)	-	(20,419)	(14,910)	(4,785)	(19,694)

5. SURPLUS ON SALE OF HOUSING PROPERTIES

	2021 £	2020 £
Sale proceeds	1,106,563	432,195
Costs of sale transferred from fixed assets (note 13)	(148,174)	(92,346)
Incidentals	(4,300)	(10,366)
Surplus for the year	954,089	329,483

6. INTEREST RECEIVABLE

	2021 £	2020 £
On surplus cash	4,393	15,124
	4,393	15,124

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2021 £	2020 £
On loans	120,524	140,795
On Recycled Capital Grant Fund	741	-
Loan fee amortisation	5,000	5,000
Net Interest on defined benefit pension liability	19,000	55,000
	145,265	200,795

8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAX

	2021	2020
Is stated after charging / (crediting):	£	£
Depreciation	836,297	865,635
Loss on disposal of components	21,571	280,450
Surplus on sale of fixed assets – properties	(954,089)	(329,483)
Operating lease rentals: land and buildings	214,229	210,164
Auditors' remuneration (excluding VAT):		
• for their audit of the financial statements	33,990	34,750
• in respect of other services – tax compliance services	-	750

9. EMPLOYEE INFORMATION

	2021 Number	2020 Number
Average number of employees		
The average monthly number of employees expressed in full time equivalents (based on a standard working week of 35 hours)	41	40

	2021 £	2020 £
Staff costs were as follows:		
Wages and salaries	1,695,257	1,648,400
Social security costs	174,848	173,348
Other pension costs	105,253	101,357
	1,975,358	1,923,105

10. BOARD MEMBERS AND KEY MANAGEMENT PERSONNEL

The aggregate remuneration for key management personnel, which includes the executive directors and other members of the senior management team, charged in the year is:

The figures below include the cost of Employer's National Insurance contributions and of pension contributions (except where stated otherwise) and also include amounts paid in respect of previous years such as bonus to the extent that these have been included in the accounts in the current year.

	2021 £	2020 £
Aggregate emoluments payable to key management personnel (including pension contributions and benefits in kind)	374,393	378,732
Emoluments payable to the highest paid director, the Chief Executive, excluding pension contributions but including benefits in kind	122,362	114,281

The number of staff, including directors, who received emoluments greater than £60,000;

	2021 Number	2020 Number
£60,001 - £70,000	3	2
£70,001 - £80,000	2	2
£80,001 - £90,000	1	-
£90,001 - £100,000	-	-
£100,001 - £110,000	1	1
£120,001 - £130,000	1	1

10. BOARD MEMBERS AND KEY MANAGEMENT PERSONNEL (continued)

The Chief Executive is a member of the Social Housing Pension Scheme. She is an ordinary member of the pension scheme and no enhanced or special terms apply. The society does not make any further contribution to an individual pension arrangement for the Chief Executive.

During the year, the aggregate compensation for loss of office of key management personnel was £nil (2018: £nil).

Payments to members of the Board of Management, excluding the Chief Executive, were:

	2021 £	2020 £
A Bush	1,600	1,200
Z Chiheb	-	803
M Creasey	713	-
S Jassal	713	-
D King	600	1,200
A Pakes	1,600	1,200
M Slade	1,875	1,750
R Southern	1,600	1,200
B A Sutcliffe	7,875	7,000
E Wallace	-	551
A Watt	1,600	1,200
N Whitaker	3,000	3,000
N Wood	1,600	1,200
L F Zollner	1,600	1,200
	24,376	21,504

11. TAXATION

	2021 £	2020 £
UK corporation tax	-	124,261
Adjustment in respect of previous year	(19,677)	82
Total current tax	(19,677)	124,343
Origination and reversal of timing differences	-	14,802
Tax on profit on ordinary activities	(19,677)	139,145

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2021 £	2020 £
Surplus on ordinary activities before tax	1,263,930	751,572
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 19% (2020: 19%)	240,147	142,799
Effect of:		
Surplus generated as a charitable society	(240,147)	(25,377)
Non-qualifying depreciation and amortisation on properties	-	32,839
Income not chargeable for tax purposes	-	(13,519)
Tax relief on pension contributions paid	-	11,550
Reversal of timing differences	-	13,593
Adjustment in respect of previous year	(19,677)	82
Indexation allowances on capital disposals	-	278
	(19,677)	139,145

12. TANGIBLE FIXED ASSETS – Housing properties

	Housing properties held for letting £	Shared ownership housing properties £	Total £
Cost			
At 1 April 2020	45,999,958	2,978,222	48,978,180
Additions	565,323	-	565,323
Disposals - properties	(12,586)	(205,730)	(218,316)
Disposals - components	(120,781)	-	(120,781)
At 31 March 2021	46,431,914	2,772,492	49,204,406
Accumulated depreciation			
At 1 April 2020	13,995,062	649,585	14,644,647
Charge for the year	719,269	17,332	736,601
Disposals - properties	(4,819)	(65,323)	(70,142)
Disposals - components	(99,211)	-	(99,211)
At 31 March 2021	14,610,301	601,594	15,211,895
Net Book Value			
At 31 March 2021	31,821,613	2,170,898	33,992,511
At 31 March 2020	32,004,896	2,328,637	34,333,533

All housing properties are held as freehold. Loans are secured against a number of these properties.

There is no capitalised interest included in housing properties (2020 nil)

Improvements to properties	2021 £	2020 £
Replacement of components	565,323	769,173
Major repairs expensed	101,792	181,532
	667,115	950,705

13. TANGIBLE FIXED ASSETS – Other

	Community buildings £	Office furniture and equipment £	Computer equipment and software £	Tenant services equipment £	Total £
Cost					
At 1 April 2020	155,417	44,884	911,826	72,725	1,184,852
Additions	-	-	13,988	71,897	85,885
Disposals	-	-	-	(26,979)	(26,979)
At 31 March 2021	155,417	44,884	925,814	117,643	1,243,758
Depreciation					
At 1 April 2020	7,770	42,836	688,056	72,725	811,387
Charge for year	2,590	1,318	77,813	17,975	99,696
Disposals	-	-	-	(26,979)	(26,979)
At 31 March 2021	10,360	44,154	765,869	63,721	884,104
Net book value					
At 31 March 2021	145,057	730	159,945	53,922	359,654
At 1 April 2020	150,237	2,048	223,770	-	373,465

14. FIXED ASSET INVESTMENT

	£
At 1 April 2020	20,742
Interest charged for the year	622
At 31 March 2021	21,364

The fixed asset investment is a holding in the loan stock of Bunker Housing Co-operative Ltd.

15. DEBTORS

	2021 £	2020 £
Amounts due within one year:		
Rent and service charge arrears	99,302	126,529
Less: provision for bad debts	(48,027)	(57,364)
	51,275	69,165
Amounts due from clients for monies paid on their behalf	6,414	12,178
Loans to staff	-	13,912
Other debtors and prepayments	205,169	254,826
	262,858	350,081

16. CREDITORS: amounts falling due within one year

	2021 £	2020 £
Housing loans (note 18)	180,677	183,754
Recycled capital grant fund (RCGF) (note 19)	140,915	104,180
Trade Creditors	199,455	113,947
Loan Interest accrued	15,397	17,966
Capital expenditure on housing properties	1,206,794	844,362
Other taxation and social security payable	96,718	83,008
Rent and service charges received in advance	311,995	270,953
Corporation tax	(12,905)	124,261
Amounts due to clients for monies received on their behalf	1,039,129	1,136,524
Leaseholder sinking funds	550,832	478,698
GLA grants not paid out	855,613	680,426
Other creditors and accruals	352,194	534,411
Deferred social housing grant (note 20)	304,045	305,467
	5,240,859	4,877,957

17. CREDITORS: amounts due after one year

	2021 £	2020 £
Housing loans (note 18)	3,979,344	4,155,789
Recycled capital grant fund (RCGF) (note 19)	131,295	78,159
Deferred social housing grant (note 20)	18,085,304	18,485,569
	22,195,943	22,719,517

18. HOUSING LOANS

Housing loans are secured by specific charges on the Society's housing properties.
Interest rates and maturities of the loans are disclosed at note 30.

Repayment profile of housing loans	**2021**	**2020**
All repayable by instalments	**£**	**£**
Repayable in one year	180,677	166,602
Repayable in two to five years	771,162	727,561
Repayable in more than five years	3,208,182	3,615,477
	4,160,021	4,509,640

19. RECYCLED CAPITAL GRANT FUND

	2021	**2020**
	£	**£**
At 1 April 2020	182,339	270,841
Grants recycled (note 29)	140,915	27,074
Simple interest	273	-
Interest accrued	469	-
repayments	(51,786)	(115,576)
At 31 March 2020	272,210	182,339

During the year £140,915 (2020: £27,074) of SHG including simple interest was recycled into the fund on disposal of a property that was staircasing.

Of the total £140,915 (2020: £104,508) is repayable within one year

The notional interest charged to the fund was £742 (2020: nil).

20. DEFERRED SOCIAL HOUSING GRANT

	Housing properties held for letting £	Shared ownership housing properties £	Total £
Social housing grant			
At 1 April 2020	26,038,860	1,646,277	27,685,137
Transferred to recycled capital grant fund	(12,984)	(127,931)	(140,915)
At 31 March 2021	26,025,876	1,518,346	27,544,222
Amortisation			
At 1 April 2020	8,433,211	460,890	8,894,101
Amortisation credit for the year	288,373	15,672	304,045
Released on disposals	(5,713)	(37,560)	(43,273)
At 31 March 2021	8,715,871	439,002	9,154,873
Net Book Value			
At 31 March 2021	17,310,005	1,079,344	18,389,349
At 31 March 2020	17,605,649	1,185,387	18,791,036

	2020 £	2020 £
Amount to be amortised within one year	304,045	305,467
Amount to be amortised after one year	18,085,304	18,485,569
	18,389,349	18,791,036

21. DEFINED BENEFIT PENSION LIABILITY

The society participates in SHPS, a multi-employer pension scheme which provides benefits to non-associated participating employers. The scheme is classed as a defined benefit scheme in the UK. The scheme is classified as a 'last man standing' arrangement. Therefore, the society 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.

21. DEFINED BENEFIT PENSION LIABILITY (CONTINUED)

For the year ended 31 March 2021, sufficient information is available for the society in respect of SHPS to account for its obligation on a defined benefit basis. The most recent formal actuarial valuation was completed as at 30 September 2017 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2021 by a qualified independent actuary.

Under the defined benefit pension accounting approach, the SHPS net deficit as at 1 April 2020 is £907k and £1,956k as at 31 March 2021.

Fair value of plan assets, present value of defined benefit obligation, and defined benefit asset

	31 March 2021 (£000s)	31 March 2020 (£000s)
Fair value of plan assets	8,393	7,432
Present value of defined benefit obligation	10,349	8,339
Surplus (deficit) in plan	(1,956)	(907)
Unrecognised surplus	-	-
Defined benefit liability to be recognised	(1,956)	(907)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2021 (£000s)
Defined benefit obligation at start of period	8,339
Expenses	7
Interest expense	197
Actuarial gains due to scheme experience	(151)
Actuarial losses due to changes in demographic assumptions	35
Actuarial losses due to changes in financial assumptions	2,021
Benefits paid and expenses	(99)
Defined benefit obligation at end of period	10,349

21. DEFINED BENEFIT PENSION LIABILITY (CONTINUED)

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

	Year ended 31 March 2021 (£000s)
Fair value of plan assets at start of period	7,432
Interest income	178
Gain on plan assets (excluding amounts included in interest income)	637
Contributions by the employer	245
Benefits paid and expenses	(99)
Fair value of plan assets at end of period	8,393

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2021 was £815,000.

Defined benefit costs recognised in statement of comprehensive income (SoCI)

	Year ended 31 March 2021 (£000s)
Current service cost	7
Net interest expense	19
Defined benefit costs recognised in Statement of Comprehensive Income	26

Defined benefit costs recognised in other comprehensive income

	Year ended 31 March 2021 (£000s)
Gain on plan assets (excluding amounts included in net interest cost)	637
Experience gains and losses arising on the plan liabilities - gain	151
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - loss	(35)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - loss	(2,021)
Total amount recognised in other comprehensive income -loss	(1,268)

21. DEFINED BENEFIT PENSION LIABILITY (CONTINUED)

Assets

	31 March 2021 (£000s)	31 March 2020 (£000s)
Global Equity	1,338	1,087
Absolute Return	463	387
Distressed Opportunities	242	143
Credit Relative Value	264	204
Alternative Risk Premia	316	520
Fund of Hedge Funds	1	4
Emerging Markets Debt	339	225
Risk Sharing	306	251
Insurance-Linked Securities	202	228
Property	174	164
Infrastructure	560	553
Private Debt	200	150
Opportunistic Illiquid Credit	213	180
High Yield	251	-
Opportunistic Credit	230	-
Cash	-	-
Corporate Bond Fund	496	424
Liquid Credit	100	3
Long Lease Property	165	129
Secured Income	349	282
Over 15 Year Gilts	-	-
Index Linked All Stock Gilts	-	-
Liability Driven Investment	2,133	2,466
Net Current Assets	51	32
Total Assets	8,393	7,432

21. DEFINED BENEFIT PENSION LIABILITY (CONTINUED)

Principal actuarial assumptions: Financial assumptions

	31 March 2021 % per annum	31 March 2020 % per annum
Discount Rate	2.17%	2.38%
Inflation (RPI)	3.28%	2.62%
Inflation (CPI)	2.86%	1.62%
Salary Growth	3.86%	2.62%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

Mortality assumptions

The assumed life expectancies on retirement at age 65, used to value the benefit obligation at 31 March 2021 are:

	Life expectancy at age 65 (Years)
Male retiring in 2021	21.6
Female retiring in 2021	23.5
Male retiring in 2041	22.9
Female retiring in 2041	25.1

22. NON-EQUITY SHARE CAPITAL

Ordinary shares of £1 each issued and fully paid	2021 £	2020 £
At 1 April	10	280
Issued during the year	2	10
Cancelled during the year	(1)	(280)
At 31 March	11	10

On 8 August 2019, a complete amendment to the rules of the Society was registered by the FCA which included a change to the share capital. The existing shares were cancelled and new shares of £1 were issued. Under the new rules, each non-executive member of the Board of Management holds one £1 share in the Society.

23. NOTES TO THE CASH FLOW STATEMENT

	2021 £	2020 £
Profit for the financial year	1,283,608	612,427
Taxation for the year	(19,677)	139,145
Profit for the financial year before taxation	1,263,931	751,572
Surplus on sale of housing properties	(954,089)	(329,483)
Interest receivable and similar income	(4,393)	(15,124)
Interest payable and similar charges	145,265	200,795
Operating Surplus	450,714	607,760
Depreciation	836,297	865,635
Grant amortisation	(260,772)	(297,051)
Accrued pension costs	(13,828)	8,287
Other capital adjustments – disposals	21,570	286,514
Pension deficit payment	(238,388)	(235,000)
Decrease in debtors	87,223	390,981
Increase in creditors	467,832	989,208
Net cash generated from operating activities	1,364,476	2,616,334

24. NET DEBT

	At 1 April 2020 £	Cash Flows £	Fair Value Movements £	Foreign Exchange Movements £	Other non-cash Movements £	**At 31 March 2021** £
Cash	7,079,668	1,344,983				8,424,651
Bank loans due within one year	(183,754)	184,522			(181,444)	(180,676)
Bank loans due in more than one year	(4,155,789)				176,444	(3,979,345)
	(4,339,543)	184,522	-	-	(5,000)	(4,160,021)
Net Debt	2,740,125	1,529,505	-	-	(5,000)	4,624,630

25. CAPITAL COMMITMENTS

	2021 £	2020 £
Expenditure that has been contracted for but has not been provided for in the financial statements	-	-
Expenditure that has been authorised by the Board of Management but has not yet been contracted for	-	-

26. OPERATING LEASES

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	113,100	113,100
In 2 years	1,194	5,985
In 2 – 5 years	-	1,194
Total	114,294	120,279

27. CONTINGENT LIABILITIES

There were no contingent liabilities (2020: nil).

28. UNITS AND BED SPACES IN MANAGEMENT

	2021 Number	2020 Number
Units in management owned		
Units for rent	738	739
Shared ownership units	85	91
Leasehold	162	158
Total Owned	985	988
Units managed on behalf of others		
Units for rent	1,459	1,432
Shared ownership units	41	41
Leasehold	59	59
Total managed on behalf of others	1,559	1,532
Total owned and managed units	2,544	2,520

29. ACCUMULATED SOCIAL HOUSING GRANT

	Treated as a capital grant (note 20) £	Treated as revenue income £	Total 2021 £	Total 2020 £
At 1 April 2020	27,685,137	1,947,427	29,632,564	29,659,638
Recycled in year	(140,915)	-	(140,915)	(27,074)
At 31 March 2021	27,544,222	1,947,427	29,491,649	29,632,564

30. FINANCIAL ASSETS AND LIABILITIES

The board policy on financial instruments is explained in the board report as are references to financial risks.

Categories of financial assets and financial liabilities

	2021 £	2020 £
Financial liabilities measured at amortised cost	4,160,021	4,339,543
Total	4,160,021	4,339,543

Financial assets

Other than short-term debtors, financial assets held are equity instruments in other entities, cash deposits placed on money markets at call and cash at bank. They are sterling denominated and the interest rate profile at 31 March was:

	2021 £	2020 £
Floating rate on money market deposits	7,335,798	5,815,039
Fixed rate investments	21,364	20,742
Financial assets on which no interest is earned	1,088,853	1,264,629
Total	8,446,015	7,100,410

The fixed rate investment is a trade investment in the loan stock of another entity. The financial assets on which no interest is earned comprise cash balances in non interest bearing accounts. The remaining financial assets are floating rate, attracting interest at rates that vary with bank rates.

30. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Financial liabilities excluding trade creditors – interest rate risk profile

The group's financial liabilities are sterling denominated. The interest rate profile of the group's financial liabilities at 31 March was:

Financial liabilities measured at amortised cost			**2021 £**	**2020 £**
Fixed Rate Instruments	**Rate**	**Maturity**		
Bilateral bank loan	4.54%	2037	2,290,803	2,374,984
Bilateral bank loan	11.32%	2037	160,944	196,531
			2,451,747	2,571,515
Variable Rate Instruments	**Margin over LIBOR**	**Maturity**		
Bilateral bank loans	0.375%–0.4%	2037	1,762,157	1,826,911
			1,762,157	1,826,911
Amortised loan issue costs			(53,883)	(58,883)
Total			4,160,021	4,339,543

31. RELATED PARTY TRANSACTIONS

Certain members of the Society's Board of Management are also committee members of some independent primary and founder member co-operatives to whom the Society has provided landlord and business management services during the year. All transactions between the Society, the primary and the founder member co-operatives were conducted on an arm's length basis on its normal trading terms. The total value of fees receivable from founder member co-operatives was £250,580 (2020: £243,992) and the net balance due to founder member co-operatives at 31 March 2021 was £134,501 (2020: £206,554).

32. LEGISLATIVE PROVISIONS

The Society is incorporated under the Co-operative and Community Benefit Societies Act 2014 with registration number 17107R and is a Registered Provider registered with the Regulator of Social Housing, with number LH0170 under the Housing Act 1996.