THE CO-OPERATIVE DEVELOPMENT SOCIETY LIMITED

Financial Statements

Year ended
31 March 2019

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

THE CO-OPERATIVE DEVELOPMENT SOCIETY LIMITED

Annual report and financial statements year ended 31 March 2019

Contents

Page:

THE CO-OPERATIVE DEVELOPMENT SOCIETY LIMITED

ADVISERS AND BANKERS

REGISTERED OFFICE

7-14 Great Dover Street
London
SE1 4YR

INDEPENDENT AUDITORS

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

INTERNAL AUDITORS

TIAA
Business Support Centre
53-55 Gosport Business Centre
Aerodrome Road
Gosport
Hants PO13 0FQ

SOLICITORS' PANEL

Trowers and Hamlins
3 Bunhill Row
London
EC1Y 8YZ

Glazer Delmar Solicitors
27-31 Northcross Road
East Dulwich
London
SE22 9ET

PRINCIPAL BANKER

The Co-operative Bank Plc
London Corporate Centre
4th Floor, 9 Prescot Street
London E1 8AZ

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

THE CO-OPERATIVE DEVELOPMENT SOCIETY LIMITED

BOARD OF MANAGEMENT AND SENIOR MANAGEMENT TEAM

Members of the Board of Management of the Society who have served during the year 31 March 2019 were as follows:

BOARD OF MANAGEMENT

Ms Brigid Sutcliffe (Chair)
Mr Nick Whitaker (Honorary Treasurer)
Mr Tony Bush (appointed 1 October 2018)
Ms Zohra Chiheb
Mr Guillermo Justel (resigned 3 August 2018)
Mr David King
Mr Andrew Pakes
Ms Rafia Patel (resigned 24 September 2018)
Ms Martha Slade
Ms Rebecca Southern
Mr Tony Watt
Mr Ed Wallace
Mr Nigel Wood (co-opted 21 May 2018)
Mr Lawrence Zollner

Each member of the Board of Management, or in the case of the representative members, their sponsoring Society, holds one fully paid share of £5 each in the Society. Co-opted members are not required to hold shares in the Society.

SENIOR MANAGEMENT TEAM (SMT)

Members of the SMT during the year to 31 March 2019 were:

Linda Wallace	Chief Executive
Stephen Brown	Corporate Services Director
Christina Friedenthal	Operations Director
Anne Hauxwell	Finance Director

THE CO-OPERATIVE DEVELOPMENT SOCIETY LIMITED

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 2019.

Principal Activities

CDS is a co-operative society (Co-op) 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 reinvest some of our surpluses to promote growth in co-op and community led housing.

At March 2019, we owned 739 rented homes and 249 leasehold properties and provided services to 38 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. As a co-op society, we believe we can achieve more by working with others, listening for understanding and showing kindness in our work to build effective collaboration.

On 7 May 2018 at a Special General meeting, the members of CDS approved the adoption of charitable rules. The new rules were registered by the FCA on 8 August 2019 on which date CDS became a charitable Community Benefit Society. We have also applied to HMRC for exempt tax status.

The Year Under Review

Our corporate plan was agreed in 2017 and set out three strategic goals, one for each of our business streams

- As a social landlord (the **Provider** stream) we will deliver consistently great services for CDS residents.
- As a service agency (the **Supporter** stream) we will deliver reliable and efficient landlord and business services for clients.
- And we will promote mainstream growth in co-op and community led housing (the **Promoter** stream).

During the year under review we continued to measure our progress against these goals.

Delivering consistently great landlord services

This goal is about being good at the things that matter most to our tenants and leaseholders. As well as offering a good quality home it focuses on both service and consistency as we know this is central to building trust with our customers.

We measure our improvement through a combination of key performance indicators and independently assessed customer satisfaction. During the year, we were pleased to continue to deliver better than average income management results, especially as more of our customers moved across to Universal Credit arrangements. We did not achieve the improvements that we had hoped for in our repairs service and this was reflected in customer satisfaction being reduced. Our performance on managing complaints improved significantly, demonstrating improved responsiveness when things go wrong for our customers.

We invested time and resources to improving in our core infrastructure and implemented a new housing management system at the end of the year. We will use this to make interactions with and service management for our customers more efficient, supporting our aim of delivering better than average services for lower than average costs.

In line with the sector, we have continued to invest in improving safety and this has inevitably seen an increase in costs in this area. It has also meant higher service charges for our tenants and our leaseholders and we recognise the challenge that this presents in terms of improving satisfaction, particularly with value for money. Overall our costs are lower than our peers and we will maintain sensible pressure on costs in the coming year.

We completed a major investment project at one of our leasehold estates, improving the external and internal communal maintenance and a number of safety features. This was delivered on time and budget and with minimal disturbance to core services. In consultation with estate leaseholders, the Board approved a number of payment arrangements to ease the immediate financial impact of these works on individual occupiers.

During the year we took transfers of engagements from two client organisations who decided not to continue independently. Shenley Church End, a 28 home scheme in Milton Keynes and Cheriton, a 21 home scheme in Folkstone were successfully integrated into our stock following a programme of consultation with residents, supported by an independent adviser.

Delivering reliable and efficient landlord and business support services for clients

This goal is about delivering consistently good contract services for clients and ensuring that our service provides good value for money.

Our service performance in this area was stable with particular improvements in the business and finance support indicators. Our client team offered more information and assistance to clients in meeting their core governance and safety obligations, as well as running effective landlord services for the residents of client properties.

During the year we continued to implement our financial strategy for this business stream. Our aim is to ensure that this service covers its costs of delivery with a margin of surplus to manage risk. This is important to our overall strategy as it ensures that surpluses on the provider stream can be ploughed back into growth in the sector. As anticipated, we saw some contraction in contract work, including the integration of two former clients into our core owned stock. We continue to balance this reduction in income with reduced costs and we believe we have a stable platform to move into profitable growth in line with the plan.

Promote mainstream growth in co-op and community led housing

This goal is about enabling mainstream growth in our sector so that more people can have the opportunity to live in homes that they have helped to make possible and in which they have a long term influence. Our enabling approach aligns with our business mission and maximises the impact of our investment, helping more homes to be built across the sector as a whole – rather than just those that we can build directly. We focus on supporting initiatives, projects or products which can help the sector learn quickly so that it can scale up to provide 1,000's of homes in each year.

In 2017, we were instrumental in establishing The London Community Led Housing Hub with the GLA. This Hub provides practical advice, support and funding to emerging and established community led groups who wish to build homes. The GLA initially invested £450k from the Community Housing Fund and has extended our contract to include over £3m of revenue grants to support "early stage" projects, up to the point where they have secured an interest in a site/building.

Alongside this project, we continue to establish a strong reputation as an organisation that can be relied on to work collaboratively and have good working partnerships with other Community Led Housing organisations. Whilst we do not see ourselves primarily as a grant funder/investor, we will sometimes step in to support a group or project where it has the potential to inspire others with a repeatable model or example. During the year we offered direct financial support to partners in the national CLT network, the Cohousing Trust, RUSS in Lewisham and Bunker Housing Co-op in Brighton during this financial year.

Our Forward Plans

Our 2019 Corporate Plan, which covers 2019 to 2022 sets out the way in which we will deliver services and promote growth in the sector over the next three years. Our purpose, to provide, support and promote community led housing, remains the same and our strategic goals are consistent with previous plans:

- Provide good quality homes and reliable services for CDS residents
- Support clients by delivering reliable and efficient landlord and business services
- Promote growth in the co-op and community led housing sector
- Continue to be well managed and well governed

Since the last update of our corporate plan, the market for community led housing has significantly expanded and opportunities have improved. There are also positive opportunities for us in our core social housing (provider) and management service (supporter) streams and we will continue to build stability and resilience in our business, with steady improvement rather than radical change.

Our objectives for each business stream are set out below.

Provider business stream - Provide good quality homes and reliable services for CDS residents

- Create effective feedback routes so we can prioritise what customers value most
- Finalise and implement the asset management strategy
- Publish a clear service offer for customers
- Empower employees to be confident and capable problem solvers

- Use all our resources wisely, including money, time, systems and knowledge
- Work with customers to drive VFM and safety
- Benchmark and understand our costs and services

We are aware of the need for an effective residents' voice and although this is not historically a strong area for CDS, it is an opportunity for us to work to our strengths on co-operation and collaboration and potentially to provide some innovation in how to approach this.

Supporter business stream - Support clients by delivering reliable and efficient landlord and business services

- Understand and respond to clients' service needs
- Be expert about legal and regulatory requirements
- Make it easy for clients to meet goals in a safe & compliant way
- Empower employees to be capable and confident problem solvers
- Understand and effectively manage our costs and income
- Drive growth through innovation, collaboration and creativity

The progress we have made in improving profitability in the supporter stream will give us the ability to expand our offer, both to help existing clients build resilience and to extend our supporter services to other smaller landlords.

Promoter business stream - Promote growth in the co-op and community led housing (CLH) sector

- Make it easy for people to explore their CLH options
- Enable delivery of significant numbers of new CLH homes
- Promote financial/social value of CLH
- Build awareness /enthusiasm for CLH in local authority areas where we are active
- Enable projects in our core stock and with our clients
- Invest in infrastructure, products or services that enable mutual/community led schemes

The increased funding, we have been allocated by the GLA will enable us to help many more projects and move toward the goal of providing over 400 new homes to site secure status over the next three years

In our business generally - Continue to be well managed and well governed

- Keep safety as our top priority
- Maintain a strong and capable board and senior team
- Review financing and covenants to maximise our investment capacity
- Dispose of 100% leasehold schemes & implement founder member strategy
- Manage client and customer debt effectively
- Invest in core skills, collaboration & leadership; create deputy roles
- Invest in core service and back office efficiency (systems & people).

THE CO-OPERATIVE DEVELOPMENT SOCIETY LIMITED

REPORT OF THE BOARD OF MANAGEMENT

Risk and Uncertainty

All organisations face risk and uncertainty, but effective organisations have an awareness of these risks and manage and mitigate them well. 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 has been improved to focus on 'live' risks and active risk management.

The Board considers risks under three headings:

Impact Mitigation Risks – these are ongoing or environmental risks where there is limited opportunity for active risk management to prevent the risk from crystallising, but where we have plans in place to respond to and mitigate the impact of that occurrence.

Actively Managed Risks – These are key day to day risks within the business where there is a control framework in place to ensure that the risk is actively managed.

Current Live Risks – These are the currently most significant issues within the business where we have a specific short-term action plan to reduce that risk and move it back down into the managed active risk section.

The Board considers the risks below to be those which are most likely to affect our future performance and ability to meet our strategic goals.

Risk	Consequence	Controls
Landlord Gas Safety Breach of Law or Regulation	• Risk to property / Life • Reputational • Breach of Law or Regulation	• Gas Safety Process • Annual Audit of Programme Completeness • Weekly Compliance Reporting • Daily Programme reporting
Failure to manage estate and property safety risks in line with law or regulation	• Risk to property / Life • Reputational • Breach of Law or Regulation	• Regular compliance reporting to Board • Weekly monitoring report • Central system to track all live actions • Regular block inspections (at least quarterly) • Regular estate inspections (trips, slips and other associated hazards) • On-going monitoring by H&S committee • Weekly SMT catch up on key H&S issues • Improved asbestos information on works orders to ensure contractor awareness

Risk	Consequence	Controls
Unauthorised access to IT or Data Storage Systems	• Reputational Risk • Breach of Law or Regulation • Loss of Data	• Network Firewalls and Authentication • Local and cloud based back up of critical servers • Back up of cloud based data • Protection of mobile phones (ability to remotely wipe if lost) • Staff training and awareness including acceptable use policy
Failure to manage data in line with law and regulatory requirements	• Breach of Law or Regulation • Reputational Risk	• Data Protection Policy • Staff Training & Awareness • IT Acceptable User Policy • System and network access controls
Breach of contract or trust in management of client funds or cash	• Reputational Risk • Lack of proper separation between CDS and client funds • Risk of movement of client funds without proper authority • Non recovery of expenditure commissioned by CDS on behalf of clients)	• Clear authority from clients updated regularly • Regular transfer of surplus client funds to client accounts • Requirement for client to put us in funds before significant payments are made (over £5,000) • Orders for clients issued on behalf of and invoiced to the client and not CDS making liability transparent

Financial Results - Highlights

Overview

The organisation delivered an Operating surplus of £976k (2017/18 £837k) which equated to a net margin of 15.8% on turnover (2017/18: 14.6%). We also received £399k of net proceeds from property sales. This surplus enables us to continue to invest in and improve the services we provide to our customers and ensures that we meet our interest cover requirements in line with our lenders' covenants.

Our operating margin on social housing lettings (excluding property sales and exceptional items) has fallen slightly to 28%, largely due to increased costs for safety compliance. Nevertheless, our overall operating margin (excluding sales) increased from 15% to 16% despite the need to invest more in our estate services.

Our Value for Money Statement for 2018/19 (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.

2018/19 Surplus before Taxation

Our 2018/19 surplus before taxation was £1,792K (2017/18: £892k), a £900k increase. This surplus includes retained surpluses of £620k which were transferred to us as part of a transfer of engagement along with all of the assets and liabilities of the transferring schemes.

Also included in the statement of comprehensive income is the effect of the 2018 revaluation of the SHPS pension scheme and the remeasurement of the obligation for 2018/19, which together total a loss of £1,542k.

Underlying operating surplus for the year, excluding the effect of the transfers, was £976k, an increase of £139k.

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

- an increase in lettings income of £222k from the increase in units as a result of the transfer of engagements
- An increase in client income of £139k in line with our strategy to achieve commercial viability for this service by 2021;
- An overall increase in costs of 5% (or 3% per unit, excluding major repairs expenditure) largely due to investment in our estate safety

Operating costs were £209k more than last year with £68k of this relating to the transfer of stock into our ownership. Of the balance, we spent more on management, including arrears management and on responsive repairs, particularly on void works.

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. 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.

In 2018/19 we saw a redistribution of overheads between our supporter and our provider business streams, recognising reduced activity in the former. This shift was foreseen as a potential consequence of our commercial strategy for contracted client work and will stabilise by the end of the 2021/22 year. Overheads have been 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 £34.7m at cost and reserves of £11.6m at the year end.

We have outstanding loan balances of £4.5m, 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 value for money strategy is focused on achieving 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 all about using the value of people's own efforts to give more people the chance to have a home that they enjoy and can afford and 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 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

Our key strategic goals are:

- 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

In May 2018, the Board approved a revised approach to Value for Money rooted in consistent improvement over time and focusing our limited resources where we believe we can get the most benefit whilst working in line with our values.

Our VfM strategy focuses therefore, 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. Our overall target is to have better than average services for lower than average costs.

Within this overall goal we have identified a number of supporting strategies.

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
- Agree an asset management strategy.

To ensure that the Supporter stream makes a small surplus, we will

- Continue to review the pricing strategy 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:

- Become an exempt charity.
- Reduce interest costs by repaying debt which is surplus to requirements.

- Continue to prioritise employee engagement.
- 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. We have put these things at the heart of measuring business success and have redrawn our mission to make sure that there is a direct relationship between every part of our work and achieving our overall goal. The connection of every employee to our purpose makes it easier for everyone to seek out efficiency and effectiveness.

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.

Measuring Value for Money

The Value for Money standard, effective April 2018, introduced 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 on page 13.

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.

Value for Money Self-Assessment 2018/19

Measured against the standard metrics

Our performance for the year against the standard metrics is as follows. We have given comparatives for 2017/18, The Global accounts data for smaller providers and the sector scorecard values from 2018.

Value for Money Metrics	Actual 18/19	Actual 17/18	Global Accounts 2018	Sector scorecard 17/18
Metric 1 – Reinvestment %	1.6%	0.8%	4.2%	5.8%
Metric 2 – New supply delivered % (This measures new homes built by the provider so excludes enabling others which is our strategic aim)	0%	0%	0.7%	1.0%
Metric 3 – Gearing %	-3.0%	-0.4%	30.5%	35.1%
Metric 4 – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %	364%	507%	225%	214%
Metric 5 – Headline social housing cost per unit	3,703	3,281	4,520	3,450
Metric 6 – Operating Margin %				
Social housing lettings only	27.7%	30.3%	25.2%	30.4%
Overall (including Promotor)	15.8%	14.6%	24.6%	27.9%
Metric 7 – Return on capital employed (ROCE) %	3.6%	3.1%	3.3%	3.7%

The Sector scorecard comparisons are from the Housemark report which covers 329 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 £3,550 for all providers and £4,520 for smaller landlords. This suggests that whilst our costs have risen, particularly influenced by the movement of overhead costs from supported to provider, they remain good compared to our peers.

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. We will continue to take a balanced approach, using our stock condition information to identify both future projects and any opportunities for economies of scale in procurement whilst continuing to reserve funds for 'at fail' or 'just in time' replacements which we believe offer the best balance of service and value in most cases.

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.

Gearing

CDS has relatively low gearing even compared to other non-developing providers (2018 sector scorecard benchmark was 21% 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 development.

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 steadily increase as we repay debt, improve Provider surpluses and reduce deficit on our Supporter workstream. The reduction in the current year is because we have spent more on major repairs.

Headline social housing cost per unit

This is the cost measured across our rented (739) and shared ownership (91) homes. Compared to the prior year, Social Housing costs have increased by 13% overall or 3% excluding major repairs. This increase reflects in part our change in activity from the Supporter to Provider streams and the increased share of overhead that the Provider stream now picks up. Compared to the 2018 RSH global accounts national benchmark sector scorecard global benchmark, costs are 7% above the national median but

we believe our costs are still good value when compared with organisations of similar size and geography.

Operating Margin

Our operating margin on Social Housing lettings is below the sector average, primarily as a result of lower than average turnover per home.
Our overall margin is lower due to the inclusion of our Client Services (Supporter) business which is in deficit. We will steadily eradicate this deficit by March 2021. This more sustainable business will be the basis for growth in support of the emerging community led housing market and other smaller landlords.

Return on Capital Employed

This measure has increased year on year, despite an increase in asset base, reflecting higher operating surplus and higher proceeds from property sales, which are included in the calculation.

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 18/19	Actual 17/18
Provider Stream				
Tenant satisfaction with overall service (April 19 vs April 18)	Improving	Not met	78%	83%
Leaseholder satisfaction with overall service (April 19 vs April 18)	Improving	Not met	54%	69%
Core Service Performance: Complaints Resolved in Target	95.0%	Not met	93%	82.5%
Average days to complete a repair	Less than 7.5	Not met	8.2	7.2
Current tenant arrears as % rent debit	Less than 3.0%	Met	2.8%	2.6%
Employee engagement	Improving	Met	74%	73%
Controllable Surplus on Social Housing (excluding exceptional items)	Improving	Not met	£1,245k	£1,314k
Legal Compliance / Outstanding safety actions - % gas safety certs and FRAs in date	100%	Met	100%	

CDS Specific Value for Money Metrics	Target	Met or not met	Actual 18/19	Actual 17/18
Investment in Safety (compliance costs)			£242k	£244k
Operating surplus	Improving to 5% by March 2021	In progress	-10%	-24%

Customer Satisfaction – Tenants and Leaseholders

Our 2019 customer satisfaction survey for social housing activity showed an overall decrease in both tenant satisfaction and leaseholder satisfaction. Leaseholder satisfaction remains lower than tenant, as with most providers.

Underlying indicators show a mixed picture with quality of home, neighbourhood and value for money for tenants still scoring relatively high. The areas where we need to make most improvements include satisfaction with our repairs service and with reliability. This aligns with our revised corporate plan.

A key part of our value for money strategy is to increase satisfaction with services without increasing our cost base. We consider that this is possible as the main areas of dissatisfaction for customers are around communication and reliability. During the year we invested in our housing management systems to establish a modern and reliable platform for growth and efficiency and went live with the new systems at the year end. We are already seeing benefits particularly in the visibility of performance data, making proactive management more possible and we will be undertaking regular customer satisfaction surveys to ensure that progress is being made.

Controllable Surplus – Provider Stream

Our surplus on Social Housing Lettings decreased by 5% on the previous year (from £1,311k to £1,245k). Income has increased as two former clients transferred their stock to us, which has also brought some additional direct cost as well as moving some of our internal resources from the supporter to the provider stream. Overall, we have spent more on housing management and arrears collection and have continued to experience cost pressure in repairs and maintenance particularly on void repairs.

Our strategic aim is for this measure to increase year on year and for us to meet our controllable surplus. In 2018/19 we were not able to increase the level of surplus, but we did exceed our internal target for controllable surplus.

Legal Compliance and Safety actions

We me our target for 100% compliance for Fire Risk Assessments (FRAs) and gas safety certificates, i.e. That all properties that are required to have one in place do so. We also show our spend on compliance costs, including gas safety.

Operating Surplus – Supporter Stream

Our strategic aim is for the Client Services business to break even and generate a small (5%) margin to cover risk by March 2021. In 2018/19 we have made progress towards this goal, further reducing the deficit (from £309k to £151k) mainly as a result of increases in fee income and some reductions in staff and other direct costs.

We have seen a reduction in client numbers during the year both due to clients leaving and transferring to become part of CDS. To ensure this did not result in an increased deficit we have acted to make savings in direct costs. The shift in activity from the Supporter to the Provider stream also means that the Supporter stream now bears a lower proportion of central overhead costs.

How Will We Improve Value for Money?

For 2019/20 we will continue to implement our vfm strategy and have targeted the following specific projects.

We adopted a new ITC strategy in 2018 and upgraded our housing management system in 2019. In 2019/20 we will use our new system to improve efficiency and online access for customers. The new system has allowed us to retire a number of other systems and this will generate improved service for the same overall level of costs. Our previous IT system had been fully depreciated so it will be a number of years before the investment starts to impact on cash savings

During 2018/19 our members approved the decision to convert to charitable status which will generate tax savings once the change has been completed.

Repayment of some of our loans has reduced our interest cost. We will continue to assess our needs and consider options for further repayment or consolidation.

We will use benchmarking to compare our costs and performance to our peers. In our repairs service, we will be using improved data to improve the reliability of our contractors who, due to the dispersed nature of our stock, work across a wide geographical area and have relatively small individual contract values.

We will continue to monitor profitability of the Client stream and plan to review our service offering and pricing to check that pricing is still fair when compared to external benchmarks.

Our operating plan includes a number of other areas where we will look to achieve the best balance of cost and quality in the services that we buy both in central overheads and for our customers.

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 2019, which confirmed that CDS is able to demonstrate full compliance with this standard, was approved by the Board in July.

NHF Code of Governance 2015

We have adopted the National Housing Federation Code of Governance. The NHF Code was updated in early 2015 and the Board conducted a thorough review of compliance with the updated code. There is one area of the code where the Board specifically decided not to comply.

- The Board has set a maximum Board size of 12 elected plus 3 co-opted members which is larger than the maximum specified in the code.

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. During the year we accepted two transfers of engagements from smaller organisations and will remain open to similar opportunities.

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 and to mitigate 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 our 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 which shows how our goals will be achieved and which ensures that our financial capacity is sufficient and can withstand risk. The plan is robustly tested against a range of scenarios. 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

The Board and senior managers work together to agree the key areas of risk in the business at the start of each year and these are reviewed as the year progresses so that any emerging risks are evaluated and reflected in the control environment. These risks are brought together in the risk map which is regularly reviewed by the senior management team who report to the Finance & Audit Committee and to the Board. The Corporate Services Director takes overall responsibility for highlighting risks and changes in risks to the Board informed by managers and Directors in their own areas.

- 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 full and interim internal audit reviews designed to provide assurance on key internal controls. There is in place an appropriate 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 and that any follow up is specifically monitored by the Board or a delegated committee.

- 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 policies 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 regular and detailed cash flow forecasts. 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.

- Current 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, business capacity, 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.

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

THE CO-OPERATIVE DEVELOPMENT SOCIETY LIMITED

REPORT OF THE BOARD OF MANAGEMENT

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 £34.7m at cost and reserves of £11.6m at the year end. CDS has relatively low gearing and quick access to considerable cash reserves.

During the year, a charge of £1,542k was made to the statement of Comprehensive Income as a result of the triannual revaluation of pension fund deficit and of the remeasurement of the financial assets and liabilities at the year end. As this liability will crystallise over a long period this does not impact on the financial viability of CDS in the foreseeable future. The charge is excluded from the calculation of CDS' financial covenants. Cash contributions to the deficit have also increased but these are affordable and are accounted for in the long term plan.

We have also considered the effect of a no-deal Brexit on the business plan. CDS has low gearing and negligible exposure to exchange rates. There are no plans to develop for sale and our properties are valued on existing use basis. The most significant risk is likely to be the effects of a possible recession on our customers ability to pay their rent but overall the Board does not consider that the impact of Brexit will be significant to the business.

Based on the Board's projections, including the long-term business plan, 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 continues to adopt the going concern basis in preparing the financial statements.
By order of the Board of Management

S. BROWN
Secretary

Date: 16/9/19

Independent Auditor's Report to The Co-operative Development Society

Opinion

We have audited the financial statements of the Co-Operative Development Society (the 'society') for the year ended 31 March 2019, which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position, the Statement of Cashflows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the society's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with regulations made under that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The board is responsible for the other information. The other information comprises the information included in the Financial Statements, set out on pages 1 to 22 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Responsibilities of the board for the financial statements

As explained more fully in the Statement of Board's Responsibilities set out on page 19, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the board is responsible for assessing the 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.
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 society's members, as a body, in accordance with regulations made under Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the 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 and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Date: 17 September 2019

THE CO-OPERATIVE DEVELOPMENT SOCIETY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2019

	Note	2019 £	2018 £
Turnover	3	6,180,741	5,751,387
Operating costs	3	(5,204,727)	(4,914,241)
Operating surplus before transfer	3	976,014	837,146
Transfer of engagement – excess of fair value over consideration paid	5	619,757	-
Surplus after transfer		1,595,771	837,146
Surplus on sale of housing properties	6	398,554	263,075
Investment and other income	7	9,747	3,967
Interest payable and similar charges	8	(212,068)	(211,983)
Surplus before taxation		1,792,004	892,205
Tax on surplus on ordinary activities	12	(387,124)	(243,153)
Surplus for the financial year		1,404,880	649,052
Actuarial loss in respect of pension schemes	24	(920,849)	-
Re-measurement of pension obligation	24	(622,000)	-
Total comprehensive income (deficit) for the year		(137,969)	649,052

All amounts relate to continuing activities.

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

B.A. Sutcliffe

B. SUTCLIFFE	**M. SLADE**	**S. BROWN**
Chair	Board Member	Secretary

Date of approval: 16 September 2019

The notes on pages 30 to 58 form part of these financial statements.

THE CO-OPERATIVE DEVELOPMENT SOCIETY LIMITED

STATEMENT OF CHANGES IN RESERVES
At 31 March 2019

	Revenue Reserve £
At 1 April 2017	11,120,180
Surplus for the year	649,052
At 31 March 2018	11,769,232
Deficit for the year	(137,969)
At 31 March 2019	11,631,263

The notes on pages 30 to 58 form part of these financial statements.

THE CO-OPERATIVE DEVELOPMENT SOCIETY LIMITED

STATEMENT OF FINANCIAL POSITION
At 31 March 2019

	Note	2019 £	2018 £
Tangible fixed assets			
Housing properties	13	34,713,831	32,969,867
Other fixed assets	14	386,023	246,397
Fixed asset investment	15	20,138	-
		35,119,992	33,216,264
Current assets			
Debtors	16	755,864	734,976
Cash at bank and in hand		5,557,541	5,451,614
		6,313,405	6,186,590
Creditors: amounts falling due within one year	18	(4,033,969)	(3,852,758)
Net current assets		2,279,436	2,333,832
Total assets less current liabilities		37,399,428	35,550,096
Creditors: amounts falling due after one year	19	(23,279,857)	(23,780,579)
Defined benefit pension liability	24	(2,488,028)	-
Total net assets		11,631,543	11,769,517
Capital and reserves			
Share capital	25	280	285
Revenue reserve		11,631,263	11,769,232
Total capital and reserves		11,631,543	11,769,517

All shareholdings relate to non-equity interests, as disclosed in note 25.

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

B. A. Sutcliffe

B. SUTCLIFFE
Chair

M. SLADE
Board Member

S. BROWN
Secretary

Date of approval: 16 September 2019

The notes on pages 30 to 58 form part of these financial statements.

THE CO-OPERATIVE DEVELOPMENT SOCIETY LIMITED

STATEMENT OF CASHFLOWS
For the year ended 31 March 2019

	Note	2019 £	2018 £
Cash from operations	26	1,769,665	2,298,292
Corporation tax paid		(200,735)	(301,709)
Net cash inflow from operating activities		1,568,930	1,996,583
Cash flow from investing activities			
Purchase of fixed assets – housing properties		(551,151)	(591,988)
– other		(238,292)	(174,563)
Purchase of fixed asset investment		(20,138)	-
Transfer of engagements		(79,768)	
Net proceeds from sales of housing properties		440,989	277,689
Social Housing Grant repaid		(61,710)	(31,492)
Interest received		9,747	3,967
Net cash used in investing activities		(500,323)	(516,387)
Cash flow from financing activities			
Repayment of borrowings		(812,379)	(564,784)
Interest paid		(150,296)	(195,294)
Share issued		5	-
Shares redeemed		(10)	(10)
Net cash used in financing activities		(962,680)	(760,088)
Net increase in cash and cash equivalents		105,927	720,108
Cash and cash equivalents at the beginning of the year		5,451,614	4,731,506
Cash and cash equivalents at the end of the year		5,557,541	5,451,614
Cash and cash equivalents consist of:			
Cash at bank in hand		5,557,541	5,451,614
Bank overdraft		-	-
Cash and cash equivalents		5,557,541	5,451,614

The notes on pages 30 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 housing association.

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 2014 Statement of Recommended Practice for registered social housing providers (Housing SORP 2014) and comply with the Accounting Requirements for Private Registered Providers of Social Housing 2015 (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.

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, it continues to adopt the going concern basis in the financial statements.

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.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

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.

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 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 separate 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 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 2014 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.

SHG and other capital grants (Grant) are accounted for using the accrual model. Grant 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.

Upon the sale of a Grant funded property, 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.

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.

In the previous year, CDS was unable to recognise its share of the scheme assets and scheme liabilities, therefore had applied defined contribution accounting in respect of the SHPS. For the year ended 31 March 2018, the association had recognised as a past service deficit liability of £1,069k, within creditors, based on the present value of the association's deficit funding agreement.

For the year ended 31 March 2019, CDS is able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and therefore has applied defined benefit accounting from this date onwards. For accounting purposes, the relevant date for accounting for this change from defined contribution to defined benefit accounting is 1 April 2018.

The deficit funding agreement liability that was previously recognised within creditors of was derecognised on the 1 April 2018, and an initial net defined benefit pension liability of £2,488k was recognised at this date in the statement of financial position. The resulting net difference of £921k on initial recognition of the SHPS obligation was recognised in other comprehensive income.

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 24.

Provisions

The Society 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.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Taxation

The charge for taxation is based upon the surplus for the year 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 UNCERTAINITY

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. Where indicators are identified, an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount. This is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as expenditure in income and expenditure. Where an asset is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell. 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; however, by their nature, component life cannot be determined with absolute certainty.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINITY (CONTINUED)

(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.

(iii) Defined benefit obligation

Management's 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. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 24). The net defined benefit pension liability at 31 March 2019 was £2,488k

3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS BEFORE TAX

	Turnover £	Operating costs £	2019 Operating surplus / (deficit) £	Turnover £	Operating costs £	2018 Operating surplus / (deficit) £
Income and expenditure from social housing lettings (note 4)						
General needs accommodation	4,162,872	(2,981,039)	1,181,833	4,031,532	(2,764,546)	1,266,986
Shared ownership accommodation	330,548	(267,427)	63,121	297,010	(253,016)	43,994
	4,493,420	(3,248,466)	1,244,954	4,328,542	(3,017,562)	1,310,980
Income and expenditure from other social housing activities						
Fees from managed associations	1,451,704	(1,602,951)	(151,247)	1,259,434	(1,568,458)	(309,024)
Tenant participation / training	-	(15,348)	(15,348)	-	(12,486)	(12,486)
Leasehold services	183,045	(279,194)	(96,149)	121,079	(189,060)	(67,981)
Promoter activities	-	(51,113)	(51,113)	-	(49,189)	(49,189)
Other	-	-	-	15,099	(27,638)	(12,539)
	1,634,749	(1,948,606)	(313,857)	1,395,612	(1,846,831)	(451,219)
Non-social housing activities						
Commercial letting	52,572	(7,655)	44,917	27,233	(49,848)	(22,615)
Total	6,180,741	(5,204,727)	976,014	5,751,387	(4,914,241)	837,146

4. INCOME AND EXPENDITURE FROM LETTINGS

	General needs properties £	Shared ownership properties £	2019 Total £	General needs properties £	Shared ownership properties £	2018 Total £
Income from lettings						
Rents receivable net of identifiable service charges	3,697,836	256,364	3,954,200	3,607,038	245,413	3,852,451
Service charges receivable	185,740	67,155	252,895	152,744	38,657	191,401
Amortisation of deferred capital grants	279,296	7,029	286,325	271,750	12,940	284,690
Total income from social housing lettings	4,162,872	330,548	4,493,420	4,031,532	297,010	4,328,542
Expenditure on lettings						
Estate services	(366,112)	(55,163)	(421,275)	(377,159)	(60,518)	(437,677)
Management – normal	(793,216)	(118,332)	(911,548)	(525,658)	(119,301)	(644,959)
Routine maintenance	(779,568)	(806)	(780,374)	(722,144)	(39,744)	(761,888)
Cyclical repairs	(278,862)	(19,495)	(298,357)	(395,656)	(3,973)	(399,632)
Rent losses from bad debts	(14,144)	(1,217)	(15,361)	(12,902)	(2,241)	(15,143)
Major repairs expenditure	(13,738)	(50,203)	(63,941)	(20,779)	(4,401)	(25,180)
Component disposals	(31,687)	-	(31,687)	(22,677)	-	(22,677)
Property depreciation	(703,712)	(22,211)	(725,923)	(687,571)	(22,835)	(710,406)
Total expenditure on social housing lettings	(2,981,039)	(267,427)	(3,248,466)	(2,764,546)	(253,016)	(3,017,562)
Operational surplus / on social housing lettings	1,181,833	63,121	1,244,954	1,266,986	43,994	1,310,980
Rent losses from voids	(14,934)	-	(14,934)	(13,325)	(2,242)	(15,567)

5. TRANSFER OF ENGAGEMENTS

During the year CDS acquired all of the assets and liabilities of two smaller housing Co-operatives, Shenley Church End Housing Co-operative Ltd on 15 June 2018 and Cheriton Housing Co-operative Ltd on 28 February 2018, as transfers of engagement. The fair value of the assets and liabilities acquired are shown below. There was no additional consideration paid and the excess of net assets acquired over the consideration has been included in the Statement of Comprehensive Income for the year.

	Carrying value	adjustment	Fair Value
	£	£	£
Shenley Church End Housing Co-operative Ltd			
Housing Properties	508,721	(87,162)	421,559
Cash and cash equivalents	33,759		33,759
Trade and other receivables	12,253		12,253
Trade and other payables	(36,248)		(36,248)
Total identifiable net assets	518,485	(87,162)	431,323
Excess over Consideration paid	518,485	(87,162)	431,323
Cheriton Housing Co-operative Ltd			
Housing Properties	623,727	(344,083)	279,644
Cash and cash equivalents	334		334
Trade and other receivables	408		408
Trade and other payables	(91,952)		(91,952)
Total identifiable net assets	532,517	(344,083)	188,434
Excess over consideration paid	532,517	(344,083)	188,434
Total shown in Statement of Comprehensive Income			619,757

6. SURPLUS ON SALE OF HOUSING PROPERTIES

	2019	2018
	£	£
Sale proceeds	445,602	289,310
Costs of sale transferred from fixed assets (note 13)	(7,944)	(14,614)
Incidentals	(39,104)	(11,621)
Surplus for the year	398,554	263,075

7. INTEREST RECEIVABLE

	2019	2018
	£	£
On surplus cash	9,747	3,967
	9,747	3,967

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2019	2018
	£	£
On loans	157,965	190,365
On Recycled Capital Grant Fund	103	618
Loan fee amortisation	5,000	5,000
Net Interest on defined benefit pension liability	49,000	-
Unwinding of the Social Housing Pension Scheme accrual discount	-	16,000
	212,068	211,983

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAX

	2019	2018
Is stated after charging / (crediting):	£	£
Depreciation	824,589	787,892
Surplus on sale of fixed assets	(398,553)	(263,075)
Operating lease rentals: land and buildings	186,000	171,500
Auditors' remuneration (excluding VAT):		
• for their audit of the financial statements	24,000	23,500
• in respect of other services – tax compliance services	3,675	5,200

10. EMPLOYEE INFORMATION

	2019 Number	2018 Number
Average number of employees		
The average monthly number of employees expressed in full time equivalents during the year (calculated based on a standard working week of 35 hours)	36	34

	2019 £	2018 £
Staff costs were as follows:		
Wages and salaries	1,555,542	1,357,243
Social security costs	164,631	122,108
Other pension costs	96,789	237,718
	1,816,962	1,717,069

11. 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:

	2019 £	2018 £
Aggregate emoluments payable to directors (including pension contributions and benefits in kind)	366,007	305,477
Emoluments payable to the highest paid director, the Chief Executive, excluding pension contributions but including benefits in kind	112,077	108,777

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

	2019 Number	2018 Number
£60,001 - £70,000	1	2
£80,001 - £90,000	1	-
£90,001 - £100,000	1	-
£100,001 - £115,000	-	1
£120,001 - £125,000	1	-

11. 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

	2019 £	2018 £
A Bush	500	-
Z Chiheb	1,750	1,338
J Fitzmaurice	-	578
C Glasper	-	1,262
C D Holmes	-	578
G Justel	414	900
D King	1,200	1,200
A Pakes	1,200	1,200
R Patel	600	1,200
M Slade	1,750	1,750
R Southern	1,200	900
B A Sutcliffe	7,000	7,000
E Wallace	1,200	1,200
A Watt	1,200	1,200
N Whitaker	3,000	3,000
N Wood	1,000	-
L F Zollner	1,200	623
	23,214	23,930

12. TAXATION

	2019 £	2018 £
UK corporation tax	241,818	206,385
Adjustment in respect of previous year	(773)	23,929
Total current tax	241,045	230,314
Origination and reversal of timing differences	146,079	12,839
Tax on profit on ordinary activities	387,124	243,153

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

	2019 £	2018 £
Surplus on ordinary activities before tax	1,792,004	892,205
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018: 19%)	340,481	169,519
Effect of:		
Non-qualifying depreciation and amortisation on properties	60,143	120,240
Income not chargeable for tax purposes	(117,754)	(54,091)
Expenses not deductible for tax purposes	6,760	3,158
Tax relief on pension contributions paid	(38,172)	-
Adjust closing deferred tax to average	-	(813)
Adjustment in respect of previous year	160,108	5,140
Indexation allowances on capital disposals	(24,442)	-
	387,124	243,153

13. TANGIBLE FIXED ASSETS – Housing properties

	Housing properties held for letting £	Shared ownership housing properties £	Total £
Cost			
At 1 April 2018	42,376,665	3,233,610	45,610,275
Additions	551,151	-	551,151
New scheme acquired during the year	1,992,858	-	1,992,858
Disposals - properties	-	(56,646)	(56,646)
Disposals - components	(146,698)	-	(146,698)
At 31 March 2019	44,773,976	3,176,964	47,950,940
Accumulated depreciation			
At 1 April 2018	11,985,359	655,049	12,640,408
Charge for the year	703,712	22,211	725,923
Disposals - properties	-	(14,211)	(14,211)
Disposals - components	(115,011)	-	(115,011)
At 31 March 2019	12,574,060	663,049	13,237,109
Net Book Value			
At 31 March 2019	32,199,916	2,513,915	34,713,831
At 31 March 2018	30,391,306	2,578,561	32,969,867

Loans are secured against a number of these properties.

Improvements to properties

	2019 £	2018 £
Replacement of components	551,151	265,513
Improvements expensed	63,941	25,180
	615,092	290,693

14. TANGIBLE FIXED ASSETS – Other

	Community buildings £	Office furniture and equipment £	Computer equipment and software £	Tenant services equipment £	Total £
Cost					
At 1 April 2018	155,417	44,884	591,068	72,725	864,094
Additions	-	-	238,292	-	238,292
At 31 March 2019	155,417	44,884	829,360	72,725	1,102,386
Depreciation					
At 1 April 2018	2,590	26,099	516,283	72,725	617,697
Charge for year	2,590	8,977	87,099	-	98,666
At 31 March 2019	5,180	35,076	603,382	72,725	716,363
Net book value					
At 31 March 2019	150,237	9,808	225,978	-	386,023
At 1 April 2018	152,827	18,785	74,785	-	246,397

15. FIXED ASSET INVESTMENT

	£
At 1 April 2018	-
Additions	20,000
Interest charged for the year	138
At 31 March 2019	20,138

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

16. DEBTORS

	2019 £	2018 £
Amounts due within one year:		
Rent and service charge arrears	185,034	176,455
Less: provision for bad debts	(92,345)	(106,683)
	92,689	69,772
Amounts due from clients for monies paid on their behalf	98,502	194,547
Loans to staff	13,157	11,821
Other debtors and prepayments	536,714	297,955
	741,062	574,095
Amounts due after one year:		
Deferred tax (note 17)	14,802	160,881
	755,864	734,976

17. DEFERRED TAX

	Deferred Taxation
	£
At 1 April 2018	160,881
Adjustment in respect of prior years	(160,881)
Deferred tax charged to the SoCI in arriving at the surplus for the year	14,802
At 31 March 2019	14,802

	2019 £	2018 £
Accelerated Capital Allowances	-	(14,663)
Defined benefit pension scheme	14,802	182,861
Short term timing differences	-	(7,317)
	14,802	160,881

18. CREDITORS: amounts falling due within one year

	2019	2018
	£	£
Housing loans (note 20)	166,602	484,976
Recycled capital grant fund (RCGF) (note 21)	143,413	106,158
Trade Creditors	399,490	21,311
Loan Interest accrued	31,509	18,840
Capital expenditure on housing properties	30,656	15,603
Other taxation and social security payable	69,151	41,828
Rent and service charges received in advance	242,304	229,318
Corporation tax	247,097	206,787
Amounts due to clients for monies received on their behalf	1,035,116	1,160,269
Leaseholder sinking funds	445,910	445,910
Other creditors and accruals	916,951	661,019
Deferred social housing grant (note 22)	305,770	288,765
Past service deficit contributions payable under SHPS	-	171,974
	4,033,969	3,852,758

19. CREDITORS: amounts due after one year

	2019	2018
	£	£
Housing loans (note 20)	4,343,038	4,837,043
Recycled capital grant fund (RCGF) (note 21)	127,428	189,728
Deferred social housing grant (note 22)	18,658,437	17,706,677
Deferred other capital grants (note 23)	150,954	150,954
Past service deficit contributions payable under SHPS	-	896,177
	23,279,857	23,780,579

20. HOUSING LOANS

Housing loans are secured by specific charges on the Society's housing properties.

Repayment profile of housing loans

All repayable by instalments	2019	2018
	£	£
Repayable in one year	166,602	484,976
Repayable in two to five years	727,561	1,219,414
Repayable in more than five years	3,615,477	3,617,629
	4,509,640	5,322,019

21. RECYCLED CAPITAL GRANT FUND

	2019	2018
	£	£
At 1 April 2018	295,885	312,288
Grants recycled (note 31)	36,563	14,472
Simple interest	103	566
Interest accrued	-	51
Withdrawals	(61,710)	(31,492)
At 31 March 2019	270,841	295,885

During the year £36,563 (2018: £14,472) of SHG was recycled including simple interest on disposal of a property that was staircasing.

The notional interest charged to the fund was £103 (2018: £566).

22. DEFERRED SOCIAL HOUSING GRANT

	Housing properties held for letting £	Shared ownership housing properties £	Total £
Social housing grant			
At 1 April 2018	24,362,144	1,709,914	26,072,058
New scheme acquired during the year	1,525,762	-	1,525,762
Transferred to recycled capital grant fund	-	(36,563)	(36,563)
At 31 March 2019	25,887,906	1,673,351	27,561,257
Amortisation			
At 1 April 2018	7,634,277	442,339	8,076,616
New scheme acquired during the year	232,429	-	232,429
Amortisation credit for the year	278,651	19,378	298,029
Released on disposals	(645)	(9,379)	(10,024)
At 31 March 2019	8,144,712	452,338	8,597,050
Net Book Value			
At 31 March 2019	17,743,194	1,221,013	18,964,207
At 31 March 2018	16,727,867	1,267,575	17,995,442

	2019 £	2018 £
Amount to be amortised within one year	305,770	288,765
Amount to be amortised after one year	18,658,437	17,706,677
	18,964,207	17,995,442

23. DEFERRED OTHER CAPITAL GRANTS

	Housing properties held for letting £
At 1 April 2018 and 31 March 2019	150,954
Amortisation	
At 1 April 2018 and 31 March 2019	-
Net Book Value	
At 31 March 2019	150,954
At 31 March 2018	150,954

	2019 £	2018 £
Amount to be amortised after one year	150,954	150,954
	150,954	150,954

24. 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.

For the year ended 31 March 2018, the SHPS obligation was being accounted for as a defined contribution as there was not sufficient information available to identify each employer's share of assets and liabilities in the scheme. Therefore, for 31 March 2018, the contributions payable from the society to the SHPS under the terms of its funding agreement for past deficits was recognised as a liability within other creditors in the society's financial statements. The net present value of £1,069k was recognised within creditors for this contractual obligation for the year ended 31 March 2018.

For the year ended 31 March 2019, 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 2019 by a qualified independent actuary.

Under the defined benefit pension accounting approach, the SHPS net deficit as at 1 April 2018 is £1,989k and £2,488k as at 31 March 2019.

24. DEFINED BENEFIT PENSION LIABILITY (CONTINUED)

The proposals set out in FRED 71 require the difference on transition from defined contribution accounting to defined benefit accounting to be presented separately in other comprehensive income. The change on transition has resulted in a remeasurement difference of £921k, which has been recognised at the relevant date of application, 1 April 2018, in other comprehensive income.

	£
Past service deficit liability as at 1 April de-recognised	1,068,151
Net pension scheme deficit under defined benefit accounting as at 1 April	(1,989,000)
Loss recognised in other comprehensive income on initial recognition as at 1 April	(920,849)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2019 (£000s)
Defined benefit obligation at start of period	8,725
Expenses	6
Interest expense	224
Actuarial losses due to scheme experience	48
Actuarial losses due to changes in demographic assumptions	25
Actuarial losses due to changes in financial assumptions	667
Benefits paid and expenses	(80)
Defined benefit obligation at end of period	9,615

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

	Year ended 31 March 2019 (£000s)
Fair value of plan assets at start of period	6,736
Interest income	175
Gain on plan assets (excluding amounts included in interest income)	118
Contributions by the employer	178
Benefits paid and expenses	(80)
Fair value of plan assets at end of period	7,127

24. DEFINED BENEFIT PENSION LIABILITY (CONTINUED)

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £293,000.

Defined benefit costs recognised in other comprehensive income

	Year ended 31 March 2019 (£000s)
Gain on plan assets (excluding amounts included in net interest cost)	118
Experience gains and losses arising on the plan liabilities - (loss)	(48)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - (loss)	(25)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - (loss)	(667)
Total amount recognised in other comprehensive income - (loss)	(622)

Principal actuarial assumptions: Financial assumptions

	31 March 2019 % per annum	31 March 2018 % per annum
Discount Rate	2.31%	2.58%
Inflation (RPI)	3.29%	3.18%
Inflation (CPI)	2.29%	2.18%
Salary Growth	3.29%	3.18%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

24. DEFINED BENEFIT PENSION LIABILITY (CONTINUED)

Mortality assumptions

The assumed life expectations on retirement at age 65, used to value the benefit obligation at 31 March 2019 are:

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

25. NON-EQUITY SHARE CAPITAL

Ordinary shares of £5 each issued and fully paid	**2019**	**2018**
	£	**£**
At 1 April	285	295
Issued during the year	5	-
Cancelled during the year	(10)	(10)
At 31 March	280	285

Each member of the Board of Management either holds one £5 share in the Society or is the representative member of a corporate member of the Society that owns one £5 share in the Society.

26. NOTES TO THE CASH FLOW STATEMENT

	2019 £	2018 £
Profit for the financial year	1,404,880	649,052
Taxation for the year	387,124	243,153
Profit for the financial year before taxation	1,792,004	892,205
Transfer of engagement- excess of fair value over consideration paid	(619,757)	-
Surplus on sale of housing properties	(398,554)	(263,075)
Interest receivable and similar income	(9,747)	(3,967)
Interest payable and similar charges	212,068	211,983
Operating Surplus	976,014	837,146
Depreciation	824,589	787,891
Grant amortisation	(298,029)	(288,814)
Other capital adjustments – disposals	41,710	26,803
Pension deficit payment	(171,973)	(165,524)
Pension contribution amendment	-	(15,000)
(Increase)/Decrease in Debtors	(166,967)	585,503
Increase in Creditors	564,321	530,287
Net cash generated from operating activities	1,769,665	2,298,292

27. CAPITAL COMMITMENTS

	2019 £	2018 £
Expenditure that has been contracted for but has not been provided for in the financial statements	-	346,325
Expenditure that has been authorised by the Board of Management but has not yet been contracted for	-	-

28. OPERATING LEASES

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

	2019 £	2018 £
Not later than 1 year	97,699	99,547
In 2 years	997	5,696
In 2 – 5 years	-	
Total	98,696	105,243

29. CONTINGENT LIABILITIES

There were no contingent liabilities (2018: nil).

30. UNITS AND BED SPACES IN MANAGEMENT

	2019 Number	2018 Number
Units in management owned		
Units for rent	739	690
Shared ownership units	91	94
Leasehold	158	157
Total Owned	988	941
Units managed on behalf of others		
Units for rent	1,432	1,689
Shared ownership units	41	41
Leasehold	59	59
Total managed on behalf of others	1,532	1,789
Total owned and managed units	2,520	2,730

31. ACCUMULATED SOCIAL HOUSING GRANT

	Treated as a capital grant (see note 21) £	Treated as revenue income £	Total 2019 £	Total 2018 £
At 1 April	26,086,530	1,947,427	28,033,957	28,033,957
Recycled in year	(36,563)	-	(36,563)	(14,472)
At 31 March	26,049,967	1,947,427	27,997,394	28,019,485

32. 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

	2019 £	2018 £
Financial liabilities measured at amortised cost	4,509,640	5,322,019
Total	4,509,640	5,322,019

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:

	2019 £	2018 £
Floating rate on money market deposits	4,233,046	4,233,622
Fixed rate investments	20,138	-
Financial assets on which no interest is earned	1,324,495	1,217,992
Total	5,577,679	5,451,614

32. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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.

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			**2019** £	**2018** £
Fixed Rate Instruments	**Rate**	**Maturity**		
Bilateral bank loan	4.54%	2034	2,454,400	2,529,320
Bilateral bank loan	11.11%	2029	231,123	296,332
			2,685,523	2,825,652
Variable Rate Instruments	**Margin over LIBOR**	**Maturity**		
Bilateral bank loans		2030	1,888,000	1,945,630
Mortgage	1.40%	2021	-	506,160
Mortgage	1.50%	2019	-	113,460
			1,888,000	2,565,250
Amortised loan issue costs			(63,883)	(68,881)
Total			4,509,640	5,322,019

33. 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 with whom the Society has had dealings 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 normal trading terms. The total value of fees receivable from founder member co-operatives was £266,227 (2O18: £319,408) and the net balance due to founder member co-operatives at 31 March 2019 was £237,705 (2018: £nil).

34. EVENTS AFTER THE REPORTING PERIOD

On 8 August 2019, the Society was reregistered with new rules as a charitable Community Benefit Society. Deferred tax assets and provisions relating to timing differences previously expected to reverse after this date are therefore no longer recognised in the Statement of Financial Position at 31 March 2019.

35. 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.