THE CO-OPERATIVE DEVELOPMENT SOCIETY LIMITED

Financial Statements

Year ended
31 March 2020

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

Page:

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BOARD OF MANAGEMENT AND SENIOR MANAGEMENT TEAM

Members of the Board of Management of the Society who have served during the year 31 March 2020 were as follows:

BOARD OF MANAGEMENT

Ms Brigid Sutcliffe (Chair)
Mr Nick Whitaker (Honorary Treasurer)
Mr Tony Bush
Ms Zohra Chiheb (resigned 16 September 2019)
Mr David King
Mr Andrew Pakes
Ms Martha Slade
Ms Rebecca Southern
Mr Tony Watt
Mr Ed Wallace (resigned 16 September 2019)
Ms Linda Wallace (appointed 16 September 2019)
Mr Nigel Wood
Mr Lawrence Zollner

There have been no changes since the year end.

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

SENIOR MANAGEMENT TEAM (SMT)

Members of the SMT during the year to 31 March 2020 or appointed since the year end were:

Linda Wallace	Chief Executive
Stephen Brown	Corporate Services Director
Christina Friedenthal	Operations Director
Anne Hauxwell	Finance Director
Dave Smith	Client Services and New Business Director (appointed 1 April 2020)

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 2020.

PRINCIPAL ACTIVITIES

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

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 also have exempt tax status, effective the same date.

At March 2020, we owned 738 rented homes and 249 shared ownership and leasehold properties and provided services to 37 housing co-ops and their 1,500 homes.

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

THE YEAR UNDER REVIEW

Our 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 is to **provide, support and promote community led housing** and our strategic goals are:

- 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

The Board approves an operational plan each year which sets out specific tasks and goals for the year. During the year under review we continued to measure our progress against these goals. Good progress was made with most of the tasks/activities that we set out to achieve, particularly with stabilising and improving core service performance which impacts on both CDS and client residents. It was disappointing, however that this did not always translate into improvements in resident satisfaction.

Provide good quality homes and reliable services for CDS residents

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 including a decrease in arrears, especially as we continued to see customers move across to Universal Credit arrangements. We also improved our voids performance, reducing average turnaround on all voids from 55.7 in the previous year to 32.6 days in the year under review.

Our performance on managing complaints continued to improve, demonstrating improved responsiveness when things go wrong for our customers.

Despite improvements in the delivery of core services we did not see an increase in customer satisfaction. The main areas of dissatisfaction were with listening/responding to residents, being reliable and with repairs and maintenance services.

Our new housing management system which was introduced at the start of the year, is widely used and allows us significantly more flexibility and insight in delivering services. 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.

We identified opportunities for savings in our estate and compliance costs, leading to lower service charges for residents without any compromise on quality or safety. Our end of year satisfaction results highlight strong satisfaction from residents with the value for money offered by our rent and service charges as a strong area compared to other small providers.

Safety remains our highest priority and we improved the ability of residents and staff to self-report safety issues or concerns, resulting in some improvements. We carried out our first 20% electrical safety inspection programme for domestic properties and completed fire door works for several blocks and individual homes.

During the year we progressed the project to find a permanent solution to address the fire risks at our tallest property in London and put a plan in place to improve fire barriers at this block. We expect the project to be substantially completed within the 2021 financial year. In recognition of the burden on leaseholders, we made the decision not to charge homeowners for this improvement. This alleviates hardship as well as allowing us to progress and complete the project more quickly. The estimated costs to completion have been included in these accounts. We have already implemented a series of additional fire safety measures ahead of the full solution to improve resident safety.

Support clients by delivering reliable and efficient landlord and business services

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 and there continued to be high levels of satisfaction for back office, direct services and CRO support with overall satisfaction with services at 88%. 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 by increasing core fees for service. 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. We saw significant progress towards this goal by reaching a break even position in the year and were pleased to see that this did not adversely affect client satisfaction with our service.

Promote growth in the co-op and community led housing sector

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 over which they have a long term influence or control. 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 and with the support of other sector organisations such as the National CLT network and UK Cohousing Network. We now host the London CLH Hub providing practical advice, support and funding to emerging and established community led groups who wish to build homes. Over a three year period, the GLA will invest over £4m of revenue grants to support "early stage" projects, up to the point where they have secured an interest in a site/building. During the year the Hub extended its reach, and made progress on individual projects, including engaging with 87 groups or projects and allocating £788k of grants across 45 projects.

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 encourage and support groups or projects which have the potential to inspire others with a repeatable model or example.

Continue to be well managed and well governed

During the year we implemented the board decision to convert to Charitable status. We also completed our review of GDPR compliance with a successful audit outcome. We have made good progress with our work with the Founder Member co-ops to support them to move towards fully independent status.

OUR FORWARD PLANS

In the coming year we will continue to implement our updated Corporate Plan which covers the period to 2021. We have also updated the plan to take account of developments such as our move to Charitable Status and the adoption of our Asset Management Strategy as well as changes in our environment as a result of safety requirements and the Coronavirus epidemic.

Our purpose

We exist to provide, support and promote co-op and community led housing and to champion co-operation as a business model that can help alleviate hardship

Our objectives for each business stream are set out below.

Provider business stream - Provide good quality homes and landlord services

- Improve repairs satisfaction for all customers
- Implement 'Safe & Satisfied' project at our Dartford estate (including piloting a new repairs solution) and share learning to improve all services quickly
- Recruit resources and expertise consult with residents and deliver first Asset Management projects that delight customers
- Carry out a baseline assessment of our carbon footprint
- Empower employees to deliver a positive values based experience on each and every contact
- Implement new feedback methods which allow customers to directly influence services
- Develop of Housing Management system to implement customer and property dashboards and customer portal
- Focus on the basics – repairs, rents, customer service

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

- Implement a published annual plan for each client
- Implement a client training and networking programme
- Invest in team capability around governance/business management
- Make it easy for clients to meet goals in a safe & compliant way
- Encourage and support clients to carry out more effective long term planning
- Empower employees to deliver a positive values based experience on each and every contact

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

- Develop the in-house resource for adviser work and as a go to place
- Meet the milestones for progress set out in the Hub delivery plan
- Develop practical solutions to the issues of affordable finance and Registered Provider status
- Build awareness and enthusiasm for CLH in London and our core areas
- Enable projects in our core stock and with our clients

- Invest in infrastructure, products or services that enable mainstream growth

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

Promote co-operation & collaboration as a business model

- Build links with co-ops UK and the co-op college and others to develop our plan
- Consider what opportunities exist for the development of co-op businesses within or linked to our own work
- Encourage employees to contribute to the development of this strategic goal
- Develop the skills, understanding and capabilities of our own team for co-operation, collaboration, mediation and negotiation so that they can support others

Continue to be well managed and well governed

- Keep safety as our top priority
- Complete the Lithos Road safety works
- Complete the Founder Member strategy
- Modernise finance systems so they are effective and robust
- Increase employee engagement score
- Implement the risk assurance framework
- Use Board more effectively as ambassadors and champions
- Develop deputy roles and SMT succession plan
- Continue to build assurance in our safety processes and approach

Impact of Coronavirus

The Coronavirus epidemic has changed our working and operating environment producing unexpected risks and challenges and whilst our goals remain the same, we have made changes to simplify and focus our work over the first six months of the year. This means that progress on planned improvements will be delayed favour of core services, safety, and risk management with the emphasis on keeping people safe, keeping the business safe, delivering essential services and improving customer satisfaction.

RISK AND UNCERTAINTY

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

Key Risks

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

Health & Safety Risk

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

Following the Grenfell Tower fire, significant changes are expected in the requirements on landlords. The Hackitt review of high rise building regulations and fire safety has made some recommendations already, initially relating to high rise buildings over 10 storeys. For CDS, with no properties in this category and no active building programme, the main recommendations that will affect our work are those about ensuring responsibilities for safety are in place.

The coronavirus pandemic introduced significant new risks particularly in relation to work in customers' homes and for our employees and the employees of contractors and partners. We have implemented quick and effective measures for the immediate response and will develop a medium term strategy for both the current and future impact of the pandemic.

Reputational Risks

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

We are also mindful of the need to reflect more clearly the voice of our customers in the design and delivery of services. Our 'safe and satisfied' project at our largest estate aims to engage residents' in collaborating for effective and safe services which also achieve high levels of satisfaction.

Delivering Value for Money

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

Data Security and Safety Monitoring

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

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

Operational risks

Existing Stock

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

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

Our stock was largely built around 25 – 30 years ago and some component elements are nearing the end of their life. Our new asset management plan sees investment rise significantly over the life of the plan and with an increased ongoing commitment beyond the life of the plan. We expect to invest around £3m in the stock over the next two years with an increase to £1m a year on an ongoing basis for major and cyclical works on top of our repairs and compliance investment. Whilst this plan and programme has been delayed by the coronavirus measures, we will be replanning implementation for 2021.

Income Collection

We have identified income collection and debt as a key risk to the business and increasing debt is a key stress test for our business plan. Historically, income collection has been stable in housing associations with high demand and relatively low rents leading to consistently high levels of collection. The government rent regime changes over the period to March 2020 have reduced rent levels by 1% every year for five years but this was reversed by the rent settlement from 2020 which will see rents increase by CPI plus 1% for the next five years. Income collection has also been under pressure from the introduction of Universal Credit which can lead to higher than usual levels of debt, particularly from the first few weeks of payment. We have invested in additional resources to help to support both tenants and staff in understanding and managing this risk and we have evidence that this approach is adding value. In addition, our new systems make it easier to track the patterns of debt for groups of customers and to identify more quickly and effectively those who may need help.

Financial and Treasury Risks

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

Our deficit level and contributions to the SHPS scheme have recently been reforecast by the provider and are included in full in our revised financial plan. This has had a significant effect but does not impact on the overall viability of the business. We have closed our defined benefits scheme in favour of a defined contribution scheme for all existing and new entrants. Whilst this does not completely cap our exposure to the deficit risk in the current scheme, it does reduce it.

Management of risks

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

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

Impact of Coronavirus on risk

Our risk management framework and score are regularly reviewed by the Board. At the end of this financial year we have reviewed them particularly in the light of covid-19 related risks and have identified areas of concern around income collection, access to properties and the impact of working away from the office.

We have identified an increased risk of customers not paying due to of loss of employment or furlough as a result of the Coronavirus epidemic and have put additional processes in place to monitor income collection and debt as well as resources to support tenants who need to make claims for Universal Credit.

We have increased the risk score relating to Landlord Gas Safety compliance during the COVID crisis. Additional controls are in place to deal with overdue LGSRs arising from residents shielding or self isolating which comply with HSE to mitigate the risk of having properties overdue for inspection.

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

FINANCIAL RESULTS – HIGHLIGHTS

Overview

The organisation delivered an Operating surplus of £937k (2018/19 £1,375k) which equated to a net margin of 13.9% on turnover (2018/19 22.2%). We received £329k of net proceeds from property sales (2018/19 £399k) which are included in the operating surplus. Our surplus enables us to continue to invest in and improve the services we provide to our customers and ensures that we meet our interest cover requirements in line with our lenders' covenants.

Our operating margin on social housing lettings (measured excluding losses and surpluses on disposals of properties and components) has fallen to 19% (2018/19 28%), largely due to increased maintenance and property costs. Our overall operating margin (excluding disposals) fell from 16% to 13%, despite an increase in profitability on our Supporter (Client services) stream.

Our Value for Money Statement for 2019/20 (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.

2019/20 Surplus before Taxation

Our 2019/20 surplus before taxation was £752k (2018/19: £1,792k), an overall decrease of £1,040k. The prior year figure 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 remeasurement of the SHPS pension scheme deferred benefit obligation for 2019/20, which has resulted in a credit of £1,409k

Excluding the effect of the transfer from last year, underlying operating surplus for the year is £937k (2018/19 £1,374k).

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

- an increase in lettings income of £145k due to including the additional units from the transfers of engagement for a full year, net of the 1% rent decrease.
- A decrease in Client income of £33k, due to some clients going elsewhere and fewer one off projects, net of a planned price increase.
- Increased spend on all areas of maintenance, including significant investment at our Lithos Road estate, of which £296k is included in the SOCI, together with a further £249k relating to the loss on disposal of components replaced.

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. Overheads are apportioned in relation to either staff costs, units under ownership/management or turnover depending on the nature of the cost.

Statement of Financial Position

Our Statement of Financial Position demonstrates that we are financially strong with a significant property asset base of £34.3m at cost and reserves of £13.7m at the year end.

We have outstanding loan balances of £4.3m, 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 VFM strategy focuses on driving value through improved efficiency and improved services to both 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. We targeted Client services to break even in 2020.

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 also work through the London Community Led Housing Hub with the GLA to provide practical advice, support and funding to emerging and established community led groups.

We recognise that 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

Our VfM strategy focuses on driving value through improved efficiency and improved services to residents and clients. It also focuses on increasing our income by properly recovering the costs of our services from clients and in relation to service costs. Our overall target is to have better than average services for lower than average costs.

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

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

We monitor VfM primarily through:

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

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

- Tenant satisfaction with overall service.
- Leaseholder satisfaction with overall service and value for money.
- Core Service performance, measured by improvements in arrears, complaints handling and repairs performance.
- Employee engagement.
- Controllable surplus against budget and improvement from year to year – based on agreed budget.
- Improving our safety compliance and culture.

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

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

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

Value for Money Self-Assessment 2019/20

Measured against the standard metrics

Our performance for the year against the standard metrics is as follows. We have given comparatives from the 2018/19 Global account data for smaller providers (under 2,500 homes) the sector scorecard values from 2019.

Value for Money Metrics	Actual 19/20	Actual 18/19	Global Accounts (smaller providers) 18/19	Sector scorecard 2019
Metric 1 – Reinvestment %	2.2%	1.6%	4.3%	5.4%
Metric 2 – New supply delivered % (This measures new homes built by the provider so excludes enabling others which is our strategic aim)	0%	0%	0.6%	1%
Metric 3 – Gearing %	-8.0%	-3.0%	34.1%	33.8%
Metric 4 – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %	350%	468%	194%	198%
Metric 5 – Headline social housing cost per unit	4,544	3,882	4,880	3,725
Metric 6 – Operating Margin % Social housing lettings only	18.9%	28.4%	23.3%	27.2%
Overall (including Promoter)	13.2%	15.8%	20.3%	25.5%
Metric 7 – Return on capital employed (ROCE) %	2.5%	3.7%	3.1%	3.2%

The Sector scorecard comparisons are from the Housemark report which covers over 300 associations nationally. The Global Accounts analysis produced by the Regulator for Social Housing captures the data for all housing associations nationally. It also offers data for those housing associations which are over 1,000 homes but less than 2,500 homes nationally, which is the source of the comparison above. The average headline social housing cost per home is £3,725 for all providers and £4,880 for smaller landlords. Our overall cost have risen, due to the increase in major and planned repairs spend and in part influenced by the movement of overhead costs from supported to provider but they remain comparable 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.

In the current year we increased our investment, largely as a result of works to improve fire safety at our Lithos Road estate. 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. Our asset management plans will see us increase our spend towards the £1m per year level, which would give a reinvestment level of about 3%.

New Supply Delivered

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

The Board recognises that we will sometimes be the developer of choice, particularly where sites are adjacent to our own, where existing relationships offer advantageous deals or where there is the opportunity to pilot a new CLH approach. In these cases, we will consider each scheme on its merits, seeking to use our borrowing capacity to deliver more affordable and community led homes in line with our overall vision. For the year 2019/20 we invested £73k in promoter activities from our surplus and we allocated £502k of the funds that we administer on behalf of the GLA, to providing support and direct grants to community led housing groups and projects.

Gearing

CDS has relatively low gearing even compared to other non-developing providers (2019 sector scorecard benchmark was 20% for this category) reflecting the age of the stock and low calls on borrowing for further investment. The standard measure also includes cash, so our ratio is negative and has reduced since last year, reflecting both the fact that we continue to repay debt and the amount of cash held at the year end. The ratio indicates lower risk but also potential unused borrowing capacity for 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 increase over time as we repay debt, improve Provider surpluses and reduce deficit on our Supporter workstream. The decrease in the current year is because we have spent more on major repairs.

Headline social housing cost per unit

This is the cost measured across our rented (738) and shared ownership (89) homes. Compared to the prior year, Social Housing costs have increased by 12%, excluding major repairs. We have spent more on repairs this year, both major repairs and planned repairs, mainly related to fire safety works and also more on reactive maintenance. Based on the underlying figures, we still believe our costs are comparable value to those of organisations with similar size and geography.

Operating Margin

Our operating margin on Social Housing lettings is below the sector average, partly as a result of lower than average turnover per home and due to the additional one-off maintenance costs in the year.

Our overall margin is lower than that on Social Housing alone, due to the inclusion of our Client Services (Supporter) business which has moved just into surplus in the year. We aim to improve this to a small margin for risk (about 5%) in the current year. This more sustainable business will be the basis for growth in support of the emerging community led housing market and other smaller landlords. Total margin also includes the promoter stream which is an investment and so reduces overall margin.

Return on Capital Employed

This measure has reduced year on year due to a lower operating surplus.

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 19/20	Actual 18/19
Tenant satisfaction with overall service (ytd April 20 vs April 19)	Improving	Not met	69%	73%
Leaseholder satisfaction with overall service (ytd April 20 vs April 19)	Improving	Met	59%	54%
Core Service Performance: Complaints Resolved in Target Average days to complete a repair Current tenant arrears as % rent debit	95.0% Less than 7.5 Less than 3.0%	Met Met Met	100% 6.7 2.3%	93% 8.2 2.8%
Employee engagement	Improving	Not Met	71%	74%
Controllable Surplus on Social Housing (excluding disposal of fixed assets and promoter activities)	Improving	Not met	£961k	£1,059k
Legal Compliance / Outstanding safety actions - % gas safety certs and FRAs in date	100%	Met	100%	100%
Investment in Safety (compliance costs)			£201K	£242k
Operating surplus on Client business	Improving to 5% by March 2021	In progress	0.2%	-10%

Customer Satisfaction – Tenants and Leaseholders

Despite significant improvements in the delivery of core services, the annual tenant satisfaction levels were disappointing. Satisfaction for tenants fell from 73% to 69% for the full year but have improved quarter by quarter through the year with the end of year position being 76%. The main areas of dissatisfaction were with listening/responding to residents, being reliable and with repairs. Our tenants gave positive scores for the overall quality of home, neighbourhood and value for money.

By contrast, leaseholder satisfaction with overall services rose by 5% to 59% with an end of year (single survey) figure of 64% which is the best result for some years.
A key part of our value for money strategy is to increase satisfaction with services whilst keeping costs below average compared to our peers. We consider that this is possible as the main areas of dissatisfaction for customers are around communication and reliability. During the year we went live with our new housing management system which has now stabilised, is widely used and allows us significantly more flexibility and insight. We are also trialling a new platform for repairs which (if successful) will give us access to a wider range of reliable contractors across our geographic areas.

Controllable Surplus – Provider Stream

We measure controllable surplus before gains or losses on the disposal of fixed assets and excluding our Promoter activities. In the current year we have spent more on all areas of maintenance, partly as a result of fire safety works including significant investment at our Lithos Road estate, of which £296k expenditure is included in the SOCI.

Our surplus on Social Housing Lettings has decreased by 52% on the previous year (from £1,245k to £598k) which reflects additional, one-off costs. Income has increased to include the full year effect of last year's stock transfers, offset by the 1% rent decrease.

Our strategic aim is for this measure to increase year on year and for us to meet our controllable surplus. In 2019/2020 we did not meet this goal due to costs relating to the Lithos Road project, which were not included in the Plan for the year.

Legal Compliance and Safety actions

We me our target for 100% compliance for completed Fire Risk Assessments (FRAs) and gas safety certificates. We also show our spend on compliance costs, including gas safety.

Operating Surplus – Supporter Stream

Our strategic aim was for the Client Services business to break even and generate a small (5%) margin to cover risk by March 2021. In 2019/20 we have made further progress towards this goal, reaching break even for the year mainly as a result of increases in fee income and some reductions in staff and other direct costs.

How Will We Improve Value for Money?

From 8 August 2019 we implemented our Board decision to convert to charitable status and have also obtained tax exempt status from that date, generating tax savings going forward.

For 2020/21 we will continue to implement our vfm strategy and have targeted the following specific projects.

- Plentific system pilot for repairs to offer a wider range of contractors and increased competition.
- Selection and implementation of a new finance system to enable more flexible and mobile working as well as improved functionality.
- Use of procurement frameworks to improve our commissioning of consultants and works.

- Investment in our 'safe & satisfied' project at Phoenix Estate to improve resident satisfaction and effective safety management.

- Continued progress with our client fee strategy.

Alongside this we will continue to:

- Drive value from our MS dynamics-based housing management system, introduced in 2019. Going forward we expect to use this to get better control over our spend and 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.

- Look for opportunities to reduce costs through effective partnership working with our residents. During 2019/20, we identified opportunities for savings in our estate and compliance costs, leading to being able to set lower service charges for residents, whilst still recovering our costs. Our end of year satisfaction results show strong performance on value for money of rent and service charges compared to other small providers (12% better on rent vfm and 4% better on service charge vfm).

- Assess our financing arrangements and needs and consider options for further repayment or consolidation of loans.

- use benchmarking to compare our costs and performance to our peers.

- Drive toward 5% 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.

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 2020, 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 conducts regular reviews of compliance with the updated code, with the latest taking place in Autumn 2019. There is one area of the code where the Board specifically decided not to comply.

- The CDS governance structure includes a governance and remuneration committee that is Chaired by the Board Chair, which conflicts with the Code of Governance which states that the Board Chair should not Chair a remuneration committee.

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 prior 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 risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Society's assets and interests.

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

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

- Identification and evaluation of key risks

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

- Monitoring and corrective action

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

- Control environment and control procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, and financial and compliance issues including new investment projects. The Board has adopted and disseminated to all employees a code of conduct for board members and staff based upon the

NHF code of governance. This sets out the Society's 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 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.

- Key Risks

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

- Internal audit

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

- Annual review of the effectiveness of internal controls

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

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

EQUALITY AND DIVERSITY

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

HEALTH AND SAFETY

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

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

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

- each Board Member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant information needed by CDS's auditors in connection with preparing their report and to establish that CDS's auditors are aware of that information

GOING CONCERN

CDS has a significant property asset base of £34.3m at depreciated cost and reserves of £13.7m at the year end. Loans outstanding were £4.3m and although CDS has no overdraft facility we had total cash holdings of £7.1m.

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

Our operating budget for 2020/21 showed a good surplus and that we had sufficient headroom on our loan covenants. Our Asset Management plans to invest over the next few years meant that we were also expecting to talk to our lenders during the year to ensure our financing met our future needs.

We performed a range of stress tests on the business plan and identified arrears and large unexpected costs, most likely safety related, as the two most significant risks to the plan. Our treasury strategy also provides that we consider CDS' cash requirements over the medium term (at least the next 24 months) and that an updated cash flow is prepared on at last a quarterly basis.

We have considered the effect of Brexit on the business. 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.

Since the year end we have also been monitoring the impact of the Coronavirus epidemic on our business and our cash flows and updating our cash flow forecast to take account of known changes and to further stress test the potential impact over the next 24 months. We have reviewed and updated the forecast for known and expected changes, both related to the Coronavirus epidemic and other changes.

We saw an initial impact on arrears, although this has lessened over the last few months. Our forecast remains cautious for the year however as there is a risk that our customers will be further impacted by loss of employment as Furlough schemes end or by a second wave of the epidemic.

We are not forecasting to meet our budgeted surplus in full for the year, however our forecast shows that we still have adequate headroom against our tightest loan covenant. We will continue to monitor this, and should it reduce further we will take mitigating action.

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

By order of the Board of Management

S. BROWN
Secretary Date: 21 September 2020

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 2020, 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 2020 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 2019.

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 25 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 21, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board 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.

BDO LLP

BDO LLP
Statutory Auditor, Chartered Accountants
London **Date:** 29th September 2020

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

	Note	2020 £	2019 £
Turnover	3	6,736,506	6,358,042
Operating costs	3	(6,253,746)	(5,382,028)
Surplus on sale of housing properties	5	329,483	398,554
Other Income		125,000	-
Operating surplus before transfer	3	937,243	1,374,568
Transfer of engagement – excess of fair value over consideration paid	32	-	619,757
Operating surplus after transfer		937,243	1,994,325
Investment and other income	6	15,124	9,747
Interest payable and similar charges	7	(200,795)	(212,068)
Surplus before taxation		751,572	1,792,004
Tax on surplus on ordinary activities	11	(139,145)	(387,124)
Surplus for the financial year		612,427	1,404,880
Actuarial loss in respect of pension schemes	22	-	(920,849)
Re-measurement of pension obligation	22	1,409,000	(622,000)
Total comprehensive income (deficit) for the year		2,021,427	(137,969)

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	N. WHITAKER	S. BROWN
Chair	Treasurer	Secretary

Date of approval: 21 September 2020

The notes on pages 33 to 59 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES
At 31 March 2020

	Revenue Reserve £
At 1 April 2018	11,769,232
Other comprehensive expenditure for the year	(137,969)
At 31 March 2019	11,631,263
Other comprehensive income for the year	2,021,427
At 31 March 2020	13,652,690

The notes on pages 33 to 59 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
At 31 March 2020

	Note	2020 £	2019 £
Tangible fixed assets			
Housing properties	12	34,333,533	34,713,831
Other fixed assets	13	373,465	386,023
Fixed asset investment	14	20,742	20,138
		34,727,740	35,119,992
Current assets			
Debtors	15	350,081	755,864
Cash at bank and in hand		7,079,668	5,557,541
		7,429,749	6,313,405
Creditors: amounts falling due within one year	17	(4,877,957)	(4,033,969)
Net current assets		2,551,792	2,279,436
Total assets less current liabilities		37,279,532	37,399,428
Creditors: amounts falling due after one year	18	(22,719,517)	(23,279,857)
Defined benefit pension liability	22	(907,315)	(2,488,028)
Total net assets		13,652,700	11,631,543
Capital and reserves			
Share capital	23	10	280
Revenue reserve		13,652,690	11,631,263
Total capital and reserves		13,652,700	11,631,543

All shareholdings relate to non-equity interests, as disclosed in note 23.

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

B.A. Sutcliffe

B. SUTCLIFFE	**N. WHITAKER**	**S. BROWN**
Chair	Treasurer	Secretary

Date of approval: 21 September 2020

The notes on pages 33 to 59 form part of these financial statements.

STATEMENT OF CASHFLOWS
For the year ended 31 March 2020

	Note	2020	2019
			£
Cash from operations	24	2,616,334	1,769,665
Corporation tax paid		(247,179)	(200,735)
Net cash inflow from operating activities		2,369,155	1,568,930
Cash flow from investing activities			
Purchase of fixed assets – housing properties		(769,173)	(551,151)
– other		(82,466)	(238,292)
Purchase of fixed asset investment		-	(20,138)
Transfer of engagements		-	(79,768)
Net proceeds from sales of housing properties		421,829	440,989
Social Housing Grant repaid		(115,576)	(61,710)
Interest received		14,520	9,747
Net cash used in investing activities		(530,866)	(500,323)
Cash flow from financing activities			
Repayment of borrowings		(170,097)	(812,379)
Interest paid		(145,795)	(150,296)
Share issued		-	5
Shares redeemed		(270)	(10)
Net cash used in financing activities		(316,162)	(962,680)
Net increase in cash and cash equivalents		1,522,127	105,927
Cash and cash equivalents at the beginning of the year		5,557,541	5,451,614
Cash and cash equivalents at the end of the year		7,079,668	5,557,541
Cash and cash equivalents consist of:			
Cash at bank in hand		7,078,668	5,557,541
Bank overdraft		-	-
Cash and cash equivalents		7,078,668	5,557,541

The notes on pages 33 to 59 form part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

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

Basis of preparation

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

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

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

Going concern

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

The recent Coronavirus epidemic has created additional risks to the business, particularly an increase in customer debt default which could impact on our surplus. Since the year end we have been monitoring the impact on our business and our cash flows and updating our cash flow forecast as well as performing additional stress tests to ensure we have sufficient mitigating action in place to stay within our covenants.

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, in the opinion of the Board, a material uncertainty does not exist and as a result it continues to adopt the going concern basis of preparation in the financial statements.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Turnover

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

Revenue recognition

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

Value Added Tax

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

Interest payable

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

Housing properties

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Depreciation of housing properties

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

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

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

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

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

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

Other fixed assets and depreciation

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

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Impairment of tangible fixed assets

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

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

Financial assets

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

Social Housing Grant (SHG) and other capital grants

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

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

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.

CDS administers grant funding on behalf of the GLA as part of its London Hub activity to support “early stage” Community Led Housing projects. This funding is released to the Statement of comprehensive income to match the costs of providing this support, including direct grants awarded to projects.

Recycled capital grant fund

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Pension costs

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

The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high-quality corporate bond rates.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as remeasurement of net defined benefit liability. Further details are shown in note 22.

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.

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 UNCERTAINTY

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

(a) Determining whether an impairment review is required

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

(b) Key accounting estimates and assumptions

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

(i) Useful economic lives of tangible fixed assets

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

(ii) Impairment of debtors

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (continued)

(iii) Defined benefit obligation

The estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Management has adopted the assumptions proposed by the SHPs scheme actuaries. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 24). The net defined benefit pension liability at 31 March 2020 was £907k.

(iv) Cost of replacement cladding

The accounts include the estimated cost of replacing the cladding at the Society's building at Lithos Road in Camden. Design work on this project has not been completed so the costs have been included at management's best estimate, after consultation with appropriate professional advisors. The cost has been apportioned between units in the building with the amount relating to tenanted units (£517k) capitalised and shown as part of additions to Housing Properties in Note 12. The proportion relating to leasehold and shared owner units (£296k) will not be recharged to homeowners and so has been included in operating costs in the Statement of Comprehensive Income. The depreciated cost of the proportion of the structure relating to the existing cladding (£249k) has been estimated and disposed of in the year, generating a loss on disposal.

3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS BEFORE TAX

	Turnover	Other Income	Operating costs	2020 Operating surplus / (deficit)	Turnover	Other Income	Operating costs	2019 Operating surplus / (deficit)
	£	£	£	£	£	£	£	£
Income and expenditure from social housing lettings (note 4)								
General needs accommodation	4,317,226	-	(3,530,520)	786,706	4,162,872	-	(2,981,039)	1,181,833
Shared ownership accommodation	321,237	-	(509,661)	(188,424)	330,548	-	(267,427)	63,121
	4,638,463	-	(4,040,181)	598,282	4,493,420	-	(3,248,466)	1,244,954
Income and expenditure from other social housing activities								
Tenant participation / training	-	-	(16,422)	(16,422)	-	-	(15,348)	(15,348)
Leasehold services	152,132	-	(205,799)	(53,667)	183,045	-	(279,194)	(96,149)
Promoter activities	501,970	-	(575,326)	(73,356)	177,301	-	(228,414)	(51,113)
Gain on disposal of housing properties	-	329,483	-	329,483	-	398,554	-	398,554
	654,102	329,483	(797,547)	186,038	360,346	398,554	(522,956)	235,944
Non-social housing activities								
Fees from managed associations	1,419,032	-	(1,416,018)	3,014	1,451,704	-	(1,602,951)	(151,247)
Commercial letting	24,909	-	-	24,909	52,572	-	(7,655)	44,917
Other Income	-	125,000	-	125,000	-	-	-	-
	1,443,941	125,000	(1,416,018)	152,923	1,504,276	-	(1,610,606)	(106,330)
Total	6,736,506	454,483	(6,253,746)	937,243	6,358,042	398,554	(5,382,026)	1,374,568

Note: 2019 figures have been restated to reflect the change in accounting policy and show GLA grant received and utilised in turnover and operating costs

4. INCOME AND EXPENDITURE FROM LETTINGS

	General needs properties £	Shared ownership properties £	2020 Total £	General needs properties £	Shared ownership properties £	2019 Total £
Income from lettings						
Rents receivable net of identifiable service charges	3,797,423	256,154	4,053,577	3,697,836	256,364	3,954,200
Service charges receivable	231,304	56,531	287,835	185,740	67,155	252,895
Amortisation of deferred capital grants	288,499	8,552	297,051	279,296	7,029	286,325
Total income from social housing lettings	4,317,226	321,237	4,638,463	4,162,872	330,548	4,493,420
Expenditure on lettings						
Service Charge costs	(277,504)	(54,039)	(331,542)	(366,112)	(55,163)	(421,275)
Management	(819,958)	(95,100)	(915,058)	(793,216)	(118,332)	(911,548)
Routine maintenance	(1,066,379)	(27,211)	(1,093,591)	(779,568)	(806)	(780,374)
Cyclical repairs	(235,005)	(221,777)	(456,782)	(278,862)	(19,495)	(298,357)
Rent losses from bad debts	(12,743)	2,129	(10,614)	(14,144)	(1,217)	(15,361)
Major repairs expenditure	(160,801)	(20,730)	(181,532)	(13,738)	(50,203)	(63,941)
Component disposals	(205,741)	(74,709)	(280,450)	(31,687)	-	(31,687)
Property depreciation	(752,388)	(18,223)	(770,611)	(703,712)	(22,211)	(725,923)
Total expenditure on social housing lettings	(3,530,520)	(509,661)	(4,040,181)	(2,981,039)	(267,427)	(3,248,466)
Operational surplus on social housing lettings	786,706	108,062	598,282	1,181,833	63,121	1,244,954
Rent losses from voids	(14,910)	(4,785)	(19,694)	(14,934)	-	(14,934)

5. SURPLUS ON SALE OF HOUSING PROPERTIES

	2020	2019
	£	£
Sale proceeds	432,195	445,602
Costs of sale transferred from fixed assets (note 13)	(92,346)	(7,944)
Incidentals	(10,366)	(39,104)
Surplus for the year	329,483	398,554

6. INTEREST RECEIVABLE

	2020	2019
	£	£
On surplus cash	15,124	9,747
	15,124	9,747

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2020	2019
	£	£
On loans	140,795	157,965
On Recycled Capital Grant Fund	-	103
Loan fee amortisation	5,000	5,000
Net Interest on defined benefit pension liability	55,000	49,000
	200,795	212,068

8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAX

	2020	2019
Is stated after charging / (crediting):	£	£
Depreciation	865,635	824,589
Loss on disposal of components	280,450	31,687
Surplus on sale of fixed assets – properties	(329,483)	(398,553)
Operating lease rentals: land and buildings	210,164	186,000
Auditors' remuneration (excluding VAT) Current auditors:		
• for their audit of the financial statements	29,250	
• in respect of other services – tax compliance services	750	
Auditors' remuneration (excluding VAT) Previous auditors:		
• for their audit of the financial statements		24,000
• in respect of other services – tax compliance services		3,675

9. EMPLOYEE INFORMATION

	2020 Number	2019 Number
Average number of employees		
The average monthly number of employees expressed in full time equivalents (based on a standard working week of 35 hours)	40	36

	2020 £	2019 £
Staff costs were as follows:		
Wages and salaries	1,648,400	1,555,542
Social security costs	173,348	164,631
Other pension costs	101,357	96,789
	1,923,105	1,816,962

10. BOARD MEMBERS AND KEY MANAGEMENT PERSONNEL

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

	2020 £	2019 £
Aggregate emoluments payable to key management personnel (including pension contributions and benefits in kind)	378,732	366,007
Emoluments payable to the highest paid director, the Chief Executive, excluding pension contributions but including benefits in kind	114,281	112,077

10. BOARD MEMBERS AND KEY MANAGEMENT PERSONNEL

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

	2020 Number	2019 Number
£60,001 - £70,000	2	1
£70,001 - £80,000	2	-
£80,001 - £90,000	-	1
£90,001 - £100,000	-	1
£100,001 - £110,000	1	-
£120,001 - £130,000	1	1

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

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

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

	2020 £	2019 £
A Bush	1,200	500
Z Chiheb	803	1,750
G Justel	-	414
D King	1,200	1,200
A Pakes	1,200	1,200
R Patel	-	600
M Slade	1,750	1,750
R Southern	1,200	1,200
B A Sutcliffe	7,000	7,000
E Wallace	551	1,200
A Watt	1,200	1,200
N Whitaker	3,000	3,000
N Wood	1,200	1,000
L F Zollner	1,200	1,200
	21,504	23,214

11. TAXATION

	2020	**2019**
	£	**£**
UK corporation tax	124,261	241,818
Adjustment in respect of previous year	82	(773)
Total current tax	124,343	241,045
Origination and reversal of timing differences	14,802	146,079
Tax on profit on ordinary activities	139,145	387,124

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

	2020	**2019**
	£	**£**
Surplus on ordinary activities before tax	751,572	1,792,004
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 19% (2019: 19%)	142,799	340,481
Effect of:		
Surplus generated as a charitable society	(25,377)	-
Non-qualifying depreciation and amortisation on properties	32,839	60,143
Income not chargeable for tax purposes	(13,519)	(117,754)
Expenses not deductible for tax purposes	-	6,760
Timing differences originating (reversing) on pension contributions	11,550	(38,172)
Reversal of timing differences	13,593	-
Adjustment in respect of previous year	82	160,108
Indexation allowances on capital disposals	278	(24,442)
	139,145	387,124

12. TANGIBLE FIXED ASSETS – Housing properties

	Housing properties held for letting £	Shared ownership housing properties £	Total £
Cost			
At 1 April 2019	44,773,976	3,176,964	47,950,940
Additions	769,173	-	769,173
Disposals - properties	-	(110,363)	(110,363)
Disposals - components	(358,561)	(88,379)	(446,940)
At 31 March 2020	45,184,588	2,978,222	48,162,810
Accumulated depreciation			
At 1 April 2019	12,574,060	663,049	13,237,109
Charge for the year	752,388	18,223	770,611
Disposals - properties	-	(18,017)	(18,017)
Disposals - components	(146,756)	(13,670)	(160,426)
At 31 March 2020	13,179,692	649,585	13,829,277
Net Book Value			
At 31 March 2020	32,004,896	2,328,637	34,333,533
At 31 March 2019	32,199,916	2,513,915	34,713,831

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

There is no capitalised interest included in housing properties (2019 nil)

Improvements to properties	2020 £	2019 £
Replacement of components	769,173	551,151
Major repairs expensed	181,532	63,941
	950,705	615,092

13. TANGIBLE FIXED ASSETS – Other

	Community buildings £	Office furniture and equipment £	Computer equipment and software £	Tenant services equipment £	Total £
Cost					
At 1 April 2019	155,417	44,884	829,360	72,725	1,102,386
Additions	-		82,466		82,466
At 31 March 2020	155,417	44,884	911,826	72,725	1,184,852
Depreciation					
At 1 April 2019	5,180	35,076	603,382	72,725	716,363
Charge for year	2,590	7,760	84,674	-	95,024
At 31 March 2020	7,770	42,836	688,056	72,725	811,387
Net book value					
At 31 March 2020	147,647	2,048	223,770	-	373,465
At 1 April 2019	150,237	9,808	225,978	-	386,023

14. FIXED ASSET INVESTMENT

	£
At 1 April 2019	-
Additions	20,138
Interest charged for the year	604
At 31 March 2019	20,742

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

15. DEBTORS

	2020 £	2019 £
Amounts due within one year:		
Rent and service charge arrears	126,529	185,034
Less: provision for bad debts	(57,364)	(92,345)
	69,165	92,689
Amounts due from clients for monies paid on their behalf	12,178	98,502
Loans to staff	13,912	13,157
Other debtors and prepayments	254,826	536,714
	350,081	741,062
Amounts due after one year:		
Deferred tax (note 16)	-	14,802
	350,081	755,864

16. DEFERRED TAX

	Deferred Taxation £
At 1 April 2019	14,802
Deferred tax credited to the SOCI in arriving at the surplus for the year	(14,802)
At 31 March 2020	-

	2020 £	2019 £
Defined benefit pension scheme	-	14,802
	14,802	14,802

17. CREDITORS: amounts falling due within one year

	2020	2019
	£	£
Housing loans (note 19)	183,754	166,602
Recycled capital grant fund (RCGF) (note 20)	104,180	143,413
Trade Creditors	113,947	399,490
Loan Interest accrued	17,966	31,509
Capital expenditure on housing properties	844,362	30,656
Other taxation and social security payable	83,008	69,151
Rent and service charges received in advance	270,953	242,304
Corporation tax	124,261	247,097
Amounts due to clients for monies received on their behalf	1,136,524	1,035,116
Leaseholder sinking funds	478,698	445,910
Other creditors and accruals	1,214,837	916,951
Deferred social housing grant (note 21)	305,467	305,770
	4,877,957	4,033,969

18. CREDITORS: amounts due after one year

	2020	2019
	£	£
Housing loans (note 19)	4,155,789	4,343,038
Recycled capital grant fund (RCGF) (note 20)	78,159	127,428
Deferred social housing grant (note 21)	18,485,569	18,809,391
	22,719,517	23,279,857

19. HOUSING LOANS

Housing loans are secured by specific charges on the Society's housing properties.
Interest rates and maturities of the loans are disclosed at note 31.

Repayment profile of housing loans

All repayable by instalments	2020	2019
	£	£
Repayable in one year	183,754	166,602
Repayable in two to five years	763,771	727,561
Repayable in more than five years	3,392,018	3,615,477
	4,339,543	4,509,640

20. RECYCLED CAPITAL GRANT FUND

	2020 £	2019 £
At 1 April 2019	270,841	295,885
Grants recycled (note 31)	27,074	36,563
Simple interest	-	103
Interest accrued	-	-
Withdrawals	(115,576)	(61,710)
At 31 March 2020	182,339	270,841

During the year £27,074 (2019: £36,563) of SHG was recycled including simple interest on disposal of a property that was staircasing.

Of the total £104,508 (2019 £115,130) is repayable within one year.

The notional interest charged to the fund was £nil (2019: £103).

21. DEFERRED SOCIAL HOUSING GRANT

	Housing properties held for letting £	Shared ownership housing properties £	Total £
Social housing grant			
At 1 April 2019	26,038,860	1,673,351	27,712,211
Transferred to recycled capital grant fund	-	(27,074)	(27,074)
At 31 March 2020	26,038,860	1,646,277	27,685,137
Amortisation			
At 1 April 2019	8,144,712	452,338	8,597,050
Amortisation for the year	288,499	16,968	305,467
Released on disposals	-	(8,416)	(8,416)
At 31 March 2020	8,433,211	460,890	8,896,101
Net Book Value			
At 31 March 2020	17,605,649	1,185,387	18,791,036
At 31 March 2019	17,894,148	1,221,013	19,115,161

21. DEFERRED SOCIAL HOUSING GRANT (CONTINUED)

	2020	2019
	£	£
Amount to be amortised within one year	305,467	305,770
Amount to be amortised after one year	18,485,569	18,809,391
	18,791,036	19,115,161

22. 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 2020, 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 2019 is £2,488k and £907k as at 31 March 2020.

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

	31 March 2020 (£000s)	31 March 2019 (£000s)
Fair value of plan assets	7,432	7,127
Present value of defined benefit obligation	8,339	9,615
Surplus (deficit) in plan	(907)	(2,488)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(907)	(2,488)

22. DEFINED BENEFIT PENSION LIABILITY (CONTINUED)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2020 (£000s)
Defined benefit obligation at start of period	9,615
Expenses	7
Interest expense	221
Actuarial gains due to scheme experience	(175)
Actuarial gains due to changes in demographic assumptions	(79)
Actuarial gains due to changes in financial assumptions	(1,120)
Benefits paid and expenses	(130)
Defined benefit obligation at end of period	8,339

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

	Year ended 31 March 2020 (£000s)
Fair value of plan assets at start of period	7,127
Interest income	166
Gain on plan assets (excluding amounts included in interest income)	34
Contributions by the employer	235
Benefits paid and expenses	(130)
Fair value of plan assets at end of period	7,432

22. 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 2020 was £200,000.

Defined benefit costs recognised in the Statement of Comprehensive Income

	Year ended 31 March 2020 (£000s)
Expenses	7
Net interest expense	55
Defined benefit costs recognised in the Statement of Comprehensive Income	62

Defined benefit costs recognised in other comprehensive income

	Year ended 31 March 2020 (£000s)
Gain on plan assets (excluding amounts included in net interest cost)	34
Experience gains and losses arising on the plan liabilities - gain	175
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain	79
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain	1,120
Total amount recognised in other comprehensive income -gain	1,408

22. DEFINED BENEFIT PENSION LIABILITY (CONTINUED)

Principal actuarial assumptions: Financial assumptions

	31 March 2020 % per annum	31 March 2019 % per annum
Discount Rate	2.38%	2.31%
Inflation (RPI)	2.62%	3.29%
Inflation (CPI)	1.62%	2.29%
Salary Growth	2.62%	3.29%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2040	22.9
Female retiring in 2040	24.5

23. NON-EQUITY SHARE CAPITAL

Ordinary shares of £1 (2019 £5) each issued and fully paid	**2020 £**	**2019 £**
At 1 April	280	295
Issued during the year	10	5
Cancelled during the year	(280)	(10)
At 31 March	10	280

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

24. NOTES TO THE CASH FLOW STATEMENT

	2020 £	2019 £
Profit for the financial year	612,427	1,404,880
Taxation for the year	139,145	387,124
Profit for the financial year before taxation	751,572	1,792,004
Transfer of engagement- excess of fair value over consideration paid	-	(619,757)
Surplus on sale of housing properties	(329,483)	(398,554)
Interest receivable and similar income	(15,124)	(9,747)
Interest payable and similar charges	200,795	212,068
Operating Surplus	607,760	976,014
Depreciation	865,635	824,589
Grant amortisation	(297,051)	(298,029)
Accrued pension costs	8,287	-
Other capital adjustments – disposals	286,514	41,710
Pension deficit payment	(235,000)	(171,973)
Decrease/ (increase) in Debtors	390,981	(166,967)
Increase in Creditors	989,208	564,321
Net cash generated from operating activities	2,616,334	1,769,665

25. NET DEBT

	At 1 April 2019 £	Cash Flows £	Fair Value Movements £	Foreign Exchange Movements £	Other non-cash Movements £	At 31 March 2020 £
Cash	5,557,541	1,522,127	-	-	-	7,079,668
Bank loans due within one year	(166,602)	170,097	-	-	(187,249)	(183,754)
Bank loans due greater than one year	(4,343,038)	-	-	-	187,249	(4,155,789)
	(4,509,640)	170,097	-	-	-	(4,339,543)
Net Debt	1,047,901	1,692,224	-	-	-	2,740,125

26. CAPITAL COMMITMENTS

	2020 £	2019 £
Expenditure that has been contracted for but has not been provided for in the financial statements	-	-
Expenditure that has been authorised by the Board of Management but has not yet been contracted for	-	-

27. OPERATING LEASES

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

	2020 £	2019 £
Not later than 1 year	113,100	97,699
In 2 years	5,985	997
In 2 – 5 years	1,194	-
Total	120,279	98,696

28. CONTINGENT LIABILITIES

There were no contingent liabilities (2019: nil).

29. UNITS AND BED SPACES IN MANAGEMENT

	2020 Number	2019 Number
Units in management owned		
Units for rent	738	739
Shared ownership units	89	91
Leasehold	160	158
Total Owned	987	988
Units managed on behalf of others		
Units for rent	1,432	1,432
Shared ownership units	40	41
Leasehold	59	59
Total managed on behalf of others	1,531	1,532
Total owned and managed units	2,518	2,520

30. ACCUMULATED SOCIAL HOUSING GRANT

	Treated as a capital grant (note 21) £	Treated as revenue income £	Total 2020 £	Total 2019 £
At 1 April 2019	27,712,211	1,947,427	29,659,638	28,033,957
Recycled in year	(27,074)	-	(27,074)	(36,563)
At 31 March 2020	27,685,137	1,947,427	29,632,564	29,659,638

31. 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

	2020 £	2019 £
Financial liabilities measured at amortised cost	4,339,543	4,509,640
Total	4,339,543	4,509,640

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:

	2020 £	2019 £
Floating rate on money market deposits	5,815,039	4,233,046
Fixed rate investments	20,742	20,138
Financial assets on which no interest is earned	1,264,629	1,324,495
Total	7,100,410	5,577,679

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.

31. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Financial liabilities excluding trade creditors – interest rate risk profile

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

			2020	2019
Financial liabilities measured at amortised cost			**£**	**£**
Fixed Rate Instruments	**Rate**	**Maturity**		
Bilateral bank loan	4.54%	2037	2,374,984	2,454,400
Bilateral bank loan	11.32%	2037	196,531	231,123
			2,571,515	2,685,523
Variable Rate Instruments	**Margin over LIBOR**	**Maturity**		
Bilateral bank loans	0.38% to 0.40%	2037	1,826,911	1,888,000
			1,826,911	1,888,000
Amortised loan issue costs			(58,833)	(63,883)
Total			4,339,543	4,509,640

32. TRANSFER OF ENGAGEMENTS

During the prior 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 that year.

	2020	2019
	£	**£**
Carrying value	-	1,051,002
Adjustment	-	(431,245)
Fair Value included in Statement of Comprehensive Income	-	619,757

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 £243,992 (2019: ££266,227) and the net balance due to founder member co-operatives at 31 March 2020 was £206,554 (2019: £237,705).

34. 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.