Registered Society Number 19229R

Accent Housing Limited

Report and Financial Statements

for the year ended

31 March 2020

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The Board, Executives and Advisors

Board Members:

Non-Executive Board Members
Tom Miskell - Chair
James Kelly – appointed 1 October 2019
Archana Makol
Sally Ormiston
Rob Seldon
Richard Wilkinson – appointed 1 October 2019
Peter Caffrey – resigned 3 July 2019
Maggie Punyer– resigned 3 July 2019

Co-opted Non-Executive Board Members
Helen Jaggar – appointed 1 October 2019
Steve Pearson – appointed 1 October 2019

Co-opted Executive Directors
Paul Dolan

Executive Directors
Sarah Ireland
David Royston
Claire Stone
Matthew Sugden

Company Secretary
Matthew Sugden

Registered Office
Charlestown House
Acorn Park Industrial Estate
Charlestown
Shipley
West Yorkshire
BD17 7SW

Registered Numbers
Charitable Registered Society No. 19229R under the Co-operative and Community Benefit Societies Act 2014
Registered by the Regulator of Social Housing (RSH) No. LH 1722

Auditor
Grant Thornton UK LLP
4 Hardman Square
Gartside Street
Manchester
M3 3EB

Banker
National Westminster Bank PLC
3rd Floor
2 Whitehall Quay
Leeds
LS1 4HR

Strategic report

Definitions
Accent Housing Limited, referred to as the Society in these financial statements, is a charitable subsidiary of the ultimate parent company, Accent Group Limited and its accounts are consolidated into Accent Group Limited. The terms "Group" or "Accent" in the report and financial statements refers to the consolidation of Accent Group Limited and all its subsidiaries.

Vision and Strategic Plan
Our mission as a Housing Association is to improve people's lives. 'With You for Your Journey', our Corporate Strategy 2021 sets out our vision to support people to realise their aspirations for better living. The strategy re-set our strategic ambition – to be recognised as a market leader for the quality of our homes and the effectiveness of our services.

In order to deliver this the strategy introduced four key shifts in strategic direction:

- A personalised service experience, with customers at the heart of the business / cutting edge of digital technology
- A significant increase in the number of new homes delivered
- A culture which ensures Accent is recognised as an excellent employer and business partner
- Sector leading value for money, enabling greater investment in homes and services

The Board set a clear statement of intent to use our significant financial capacity to deliver around 2,000 new homes by 2023. Pre COVID-19 we were on track to deliver circa 1,900 units by 31 March 2023 with further completions in the 2023/24 financial year. Given inevitable delays in development resulting from COVID-19 our timelines may move slightly however we remain committed to our overarching development strategy. We recognise the part we should play in addressing the UK's broken housing market and are committed to working towards improving the situation.

We aim to be at the forefront of how housing is delivered in the 21st century. Our customer service offer will be sector leading, delivering a customer experience which harnesses technology alongside the experience, skills and empathy of our people.

We will provide Affordable and Secure Homes, which are an asset to our customers and to the wider community. We will continually invest in the homes we provide to ensure they are of high quality. Where we have homes people no longer choose to live in we will match the needs of the local market by remodelling them or selling them to reinvest the proceeds in newer homes.

We will offer Service Choice and Innovation, providing choice in service and communications will ensure that our customers remain our biggest advocates. Innovation is crucial to the delivery of true choices and in matching customer expectations for cutting edge service delivery.

We will have Empowered and Talented people who are motivated to deliver the best experience for customers. This is possible due to our strong leadership and a culture which supports all colleagues to reach their full potential.

We will continue to be an Ambitious and Resilient Business. We are financially strong, well run and well governed. Our diversity is our strength. Our national presence allows us to get the best value from our resources, with regional delivery teams who understand the communities we work in and what homes and services are needed.

The strategic plan aims to ensure that Accent is in a strengthened position to manage the financial and socio-economic risks from a rapidly changing political landscape, whilst meeting the priorities of key stakeholders in delivering consumer safety, enhanced scrutiny and co-regulation.

The first two years of the strategy have focussed on investing in the foundations to underpin successful delivery of our objectives. This has been hugely successful and has provided a strong and resilient platform to support our longer term ambitions.

We have undertaken a wholesale revision of our governance arrangements to align our governance structure and skills to our corporate strategy, ensuring enhanced business assurance and scrutiny. This involved establishing and recruiting to a new committee structure, with five redefined committees to oversee treasury management, audit and risk, customer service delivery, investment in new and existing homes and organisational development. In 2019, a third party review was completed by Altair which concluded that Accent has successfully delivered significant positive changes to its governance structure in a relatively short period.

We have also continued to strengthen our operating model in line with our strategic ambitions. A new development team has brought increased skills and capacity in order to deliver our new land led development strategy. As a result Accent now has an increasing development pipeline and our market presence is significantly improved.

Strategic report (continued)

Vision and Strategic Plan (continued)
Residents and colleagues co-designed our new service offer, a forward thinking shift away from traditional models of housing management and the landlord/tenant dynamic. This has re-set our relationship with customers as the 'Accent Partnership'. We have completely restructured our customer experience team in order to deliver the partnership, bringing in enhanced skills and empowering colleagues to meet customer needs and expectations.

As mentioned earlier one of our strategic priorities is to similarly re-set our repair service whilst at the same time address the COVID-19 related repairs backlog in an efficient and timely manner.

A new people team has transformed our approach to employee engagement. We have a new people strategy with the key principles of simplify, learn and community. The team have also re-focussed and invigorated the employee forum around leading the delivery of the strategy.

We have amplified the customer voice throughout the organisation as result of our resident engagement strategy, which was co-created with residents, Board members and colleagues. We have streamlined and modernised our platforms for resident engagement, building our 'Accent 500' community to engage a broader range of people in a more accessible way. We also have a trained and remunerated National Scrutiny Group, recruited against a skills matrix, they report directly into the governance framework via the Customer Experience Committee.

Principal Risks and Uncertainties
Since 11 March 2020, when the World Health Organisation declared COVID-19 to be a global pandemic, life in the UK, and across most of the world, has changed significantly. The impact on the UK economy has been profound causing stock market values to initially plummet and then stage a partial recovery, economic growth to cease and unemployment and benefit claims to rise significantly. There is a general recognition that we are likely to be heading for a recession deeper than the 2008/09 financial crisis and potentially as severe as the "Great Depression" of the 1930s. These economic changes, along with changes to services and ways of working have a significant impact on the risks identified on Accent's strategic risk register.

The COVID-19 pandemic is an unprecedented situation. Accent responded swiftly and decisively with comprehensive risk strategies in place. We are fortunate to have strong liquidity following the refinancing in 2019 and have been well placed as a business to flex and deal with the additional challenges that the pandemic brought. We mobilised colleagues to work effectively from home with no need to furlough any employees or close critical services. We maintained an emergency repairs service and met statutory safety obligations. We worked with repairs and maintenance contractors to understand their risks and their business continuity plans and to prioritise the most critical work. The focus on emergency repairs inevitably created a backlog of routine work and we are now planning for remobilisation to ensure that we will be able to return to delivering service as usual when government advises this is possible.

Risks to colleagues and residents were mitigated as far as possible through provision of personal protective equipment, effective method statements and safe ways of working for colleagues and contractors, minimising the number of employees designated as key workers and adopting a flexible approach that enabled colleagues to work from home. Care for the health and wellbeing of colleagues and residents was central to all decisions made throughout the initial months of the pandemic and the result was that essential services were maintained.

During 2019/20 the Board reviewed and refined its risk appetite across all of our strategic objectives and the committees of the Board identified the measures that will be used to monitor any increase in risks to the three year strategic objectives and agreed escalation points for raising concerns with the Board. This approach increases clarity and understanding and ensures that decisions made at senior level throughout the organisation are aligned with the Board's risk appetite. This will be more crucial than ever as we move towards the period of economic hardship and uncertainly that will follow in the wake of the COVID-19 pandemic.

Accent's 'top three' risks have not changed as a result of the COVID-19 pandemic however we believe that the likelihood of them occurring has increased. These risks are as follows together with aspects of Accent's response:

- Failure of a key maintenance partner leading to critical service failure.

  A specific Supplier Continuity Plan has been devised in response to COVID-19 in addition to increased contact with key suppliers, continued delivery of emergency and statutory works during the lockdown period. Accent has resumed the logging of calls for routine repairs so that work that needs to be delivered post lockdown can be planned in an orderly manner. Accent has and is taking additional measures to try to mitigate this risk however the economic climate is not something we can control and this risk has undoubtedly increased despite our best efforts.

- Major external shock (e.g. outcome post Brexit, COVID-19) leading to reduced funding sources and increased costs.

  COVID-19 means that the 30 year financial plan that the Board approved on the 11 March 2020 had to be immediately revised. This was duly done and an indicative, updated and COVID-19 stress tested plan was presented to the Board at their 20 May 2020 meeting. Clearly, given the ongoing uncertainty

Strategic report (continued)

Principal Risks and Uncertainties (continued)

surrounding the economy arising from COVID-19 this plan will require further reworking before final Board approval and submission to the Regulator of Social Housing (RSH). However the plan presented to Board on 20 May 2020 did give the Board comfort that the Group remains resilient, that our corporate strategy (and funding requirement) can evolve to meet the challenges coming and gave some early indications of what the impact might be on the financial plan. The RSH has made it clear that the deadline of June for submission of financial plans via the "FFR" has been deferred until the autumn hence we will continue to review and rework our financial plans in the meantime.

- Material health & safety issue leading to harm to residents / employees / others.

  Managing health and safety risks is a specific challenge at the current time as many residents are self-isolating, unwell or understandably anxious about the risk of COVID-19 infection and so have refused access to contractors for routine safety checks. A revised policy on routine safety checks has been approved by the Board. Accent policy is risk-based and is aligned with Government guidance. The Homes Team has been keeping detailed records where safety checks cannot be completed due to issues relating to COVID-19. The risk of an incident has increased although the policy we have adopted and actions we have and will take demonstrate a customer-focussed and risk-based approach.

In addition to the top three risks as outlined above, the Board have assessed that a further four risks have also increased in likelihood as a result of the current evolving situation. These are the risks of:

- Insufficient organisational capacity leading to failure to deliver services and strategic objectives.
- Increasing arrears due to welfare reforms / austerity measures and an additional risk around residents being unable to pay rent through losing their employment.
- Reduced demand for housing for sale.
- Pensions investments performing poorly resulting in increased recovery plan payments.

Controls for these risks have been identified and are recorded on our strategic risk register. Although significant, we do not believe these risks will overwhelm us. Organisational capacity has proved resilient through the worst of the crisis and we have carried out new, more severe stress tests related to increasing arrears and pensions costs. The financial plan does not rely on income from sales. As a consequence of our resilient financial position and the controls we have in place we are confident we can withstand the challenge from these risks.

Cyber risk is one of our key operational risks. As such it is carefully monitored and managed with assurances routinely provided to Audit and Risk Committee. In January 2020, the Audit and Risk Committee reviewed Mazars' detailed audit report regarding ICT security and controls. The audit found "substantial assurance" based on the finding that "Accent has a number of robust controls in place to ensure its ICT Cyber Security is implemented up to the expected standard". Increased external cyber risks were identified as part of our coronavirus risk assessment at the on-set of the pandemic and guidance was issued to colleagues to ensure awareness of the increase in 'scams' that attempt to exploit people's concerns about the virus. These exploits have subsequently been tested with further training being mandated. As dependency on ICT has increased during the pandemic (as well as increased cyber threats), a small number of ICT colleagues were designated as key workers in order to monitor and maintain system security. As a result Accent has experienced no 'down time' and all colleagues have successfully mobilised to home working.

An additional risk relating to potential Government policy changes around COVID-19 has also been added to the strategic risk register:

- If the government introduces measures to deal with COVID-19 that significantly reduces cash flow then housing asset values may be impaired resulting in less ability to borrow and a reduced ability to deliver our strategic objectives.

Risks associated with Development and Growth activity arising from COVID-19 are also being identified and the measures required to mitigate their impact. Strategic risks will be defined for Board consideration in due course, covering; slowed production on construction sites (emanating from new working practices requiring social distancing social and / or the impact of the track and trace initiative), increased build costs, contractor viability, scarcity of quality components and materials, reduced sales. However, Accent is not overly exposed to these risks as the committed programme is of manageable size at the moment, sales risk is very modest and our viability demonstrated by the financial plan, is not dependent upon sales income from development activity. However these risks are being closely monitored.

No changes to their likelihood or impact are currently being proposed in response to COVID-19 in respect of the following existing strategic risks:

Strategic report (continued)

Principal Risks and Uncertainties (continued)

- Recommendations from the Hackitt review leading to maintenance expenditure increases.
- Poor investment decisions as a result of poor stock data.
- Service offer not keeping pace with competitors.
- New policy initiatives such as right to buy leading to funder uncertainty.

On an operational level COVID-19 risks have been defined and monitored via a dedicated COVID-19 risk register which has been revised at least weekly, often daily, as the pandemic has unfolded. The COVID-19 risk register has focussed on operational and logistical risks rather than duplicating strategic risks. The Emergency Planning Committee has monitored changes in risks and implementation of controls to mitigate risks.
Initial risks identified were around the ‘delay’ stage and focussed on prevention measures for colleague and customer safety. As we moved into the lockdown phase, risk management focussed on delivery of emergency repairs and critical safety checks and the health and wellbeing of colleagues and customers.

We are now very much in the planning ahead phase and actively considering how to manage a safe and co-ordinated return to business as usual (a “new normal”) so that as a business we are ready when the Government announces an end to travel restrictions. The most significant COVID-19 specific risks at the time of writing are:

- Infection in an independent living or extra-care scheme affecting multiple residents.
- Supply chain problems leading to contractors being unable to deliver urgent repairs.

Accent has successfully maintained legal compliance and core customer service levels since the pandemic was declared through mobilising all but 74 key workers to work from home. We have developed plans for a limited and phased return to working on site but will only expect colleagues to work outside of home where it is safe to do so and only after full risk assessments have been completed – both at organisational and individual level.

Aside from the impact of the COVID-19 situation, we are anticipating increased costs relating to the requirements of the Building Safer Future proposals and the decarbonisation agenda, however both will offer the opportunity for us to develop and offer safer, more energy efficient and attractive homes. We welcome the new guidance and will meet all requirements. Despite the current economic climate, we are committed to delivering our strategic objectives including building new homes as well as investing in existing homes. Clearly meeting both objectives at a time when our income will be affected through the hardship many residents are facing will be a key challenge for the year ahead.

Future developments

As we enter the final year of our current corporate strategy we find ourselves in an unprecedented environment of uncertainty as a result of the global COVID-19 pandemic. Our immediate priority has been the continued support for our customers and colleagues. We have put in place a ‘lockdown’ service focussed on customer care and safety, which has also ensured that almost all colleagues are able to work safely, flexibly and remotely.

We are in a strong financial position with enough cash to endure and see us well through the crisis. We also have minimum exposure to some of the key risks emerging as a result of the crisis, including reduced availability of long term funding and the contraction of the housing market. The Group successfully issued our own name bond last year, and our programme of market sales is minimal.

As we look to the future we will need to ensure that we are positioned to deal with both the social and economic fallout of the lockdown. The changes to our operating environment are significant and far-reaching, but our focus on building the foundations for success stands us in good stead for the future. We are now able to prioritise a number of core areas which are integral not only to the wellbeing of our current and future customers, but our continued future success.

As a result, the final year of “With You for Your Journey” will focus on the following:

- Increasing our contribution to fixing all elements of the housing crisis.
- Improving the capacity of our people and our organisation, enabling smarter working.
- Defining the cultural shift we want to deliver and getting alignment across the organisation.
- Ensuring a consistent, reliable and high quality repairs service for the future.

These priorities will be delivered through our key supporting strategies:

- Development and Growth
- Asset Management
- Customer Experience
- People

Strategic report (continued)

Future developments (continued)

Development and Growth
Accent's development and growth strategy aims to address the housing supply crisis and we will ramp up our delivery in this and future years now that we have the funding, skills and experience in house to do so.

Considerable progress has already been made in 2019, with 165 practical completions delivered against a target of 85, and 272 starts on site against a target of 280. In 2020/21 with adjustment to accommodate the delays in production caused by COVID-19, our targets are 71 for the number of new homes completed and 332 for the number of starts on site. At 31 March 2020 the Society had £104m in committed development contracts all of which are supported by cash balances and undrawn facilities which are secured and already in place.

At 31 March 2020 the Society had a balance of £5.3m in properties held for sale, a significant increase on the prior year figure of £1m. Despite the onset of COVID-19 in late March 2020 the Society as seen strong demand for these properties with a number of properties exchanging and / or being reserved during the lockdown period. Post balance sheet external valuations have continued to support their carrying value within the financial statements.

We have enhanced our relationship with Homes England and established a Strategic Partnership with Together Housing Group and Wakefield and District Housing aimed at securing grant funding to deliver our new homes programme. This strategic partnership has accessed additional funding of £53m via Homes England to build an extra 1,152 affordable new homes over the next three years. This programme is now in its delivery phase with the first schemes completed. Accent has identified the homes needed to meet its allocation of 300, and our first Wave funded scheme is due to start in late Summer 2020/21.

The Accent Group Development consortium was allocated the fifth highest 2016-20 SOAHP grant allocation via Homes England and we have ambitious plans to increase the breadth and scale of projects we jointly work on. These range from starting a graduate trainee programme to overcome some of the recruitment difficulties that we are experiencing to joint bidding on new land opportunities.

With new investment, ambition and a fresh approach to development comes a redefined company. In 2020 we will launch Homemade, a new brand within Accent. Accent Homemade Limited (formerly PAN English Development Company Limited) will be the company within which all private sales and new shared ownership homes are delivered. It will also act as the marketing brand for all sale products.

The aim of the Homemade brand is to create a modern identity that reflects the design of the new homes we will become synonymous with. The Accent brand and Homemade are inextricably linked; Homemade, and the sale of new homes, provides capital which we can invest in our wider development programme, and to make our contribution to help resolve the UK's housing crisis.

Asset Management
Accent sees the housing crisis as multi-faceted, not simply about the lack of supply. There is a lack of demand in some areas; there is a distributional crisis, particularly for the squeezed middle unable to access affordable homes; and some homes are simply not up to 21st century living standards, and therefore not sustainable for the future.

We believe that our role is to ensure that our overall portfolio of homes contributes to addressing all aspects of the housing crisis. To enable this we will undertake a strategic review of our assets. This will have three distinct elements: reviewing the Accent Property Standard we aim to achieve across all our homes, undertaking detailed housing market analysis, and financial analysis of the asset management costs. This will provide a 360 degree evaluation of homes that are performing poorly and enable robust options appraisals to identify the most viable solution for future sustainability.

To strengthen our understanding of asset performance in 2018 we worked with Savills to introduce a new social housing asset performance evaluation (SHAPE) model. In 2019 we continued to build on that by commissioning them to validate our existing stock condition data.

In order to gain an understanding of the condition of our stock, Savills physically surveyed c. 2,100 properties in total, equating to c.12.1% of the entire stock portfolio. We are currently reviewing the findings and looking to build on them factoring in some of the recommendations where appropriate into our Asset Management Strategy for 2020 onwards.

Customer Experience
Our repairs service is perhaps the most fundamental part of the overall customer experience. Prior to the COVID-19 crisis we identified that the service was not delivering in line with our ambitions.

Our priority is to deliver a consistent, reliable and high quality repairs service across all five of our regions. This is unchanged despite the current COVID-19 crisis, but the key focus for 2020 will be to recover any performance lost from the effects of the lockdown, and then deliver the improvements needed to ensure a consistent, reliable and high quality service for the future.

Strategic report (continued)

Future developments (continued)
We have agreed our strategy for digital transformation. In the prior year we invested heavily in web technology to deliver two customer portals, MyAccount and Let's Move and have spent time over the last 12 months embedding this technology within the business and our customer base. The usage of MyAccount for day to day transactional activity is low and most customer contact is handled by front line Customer Partners or the contact centre. We believe that there are opportunities to progress our digital transformation emerging as a result of the lockdown.

The population has by necessity interacted with a whole range of retail and service organisations on a digital footing. This will build skills, confidence and in many cases an increased appetite for online self-service. We can capitalise on this by accelerating our digital offer, including for reporting and tracking repairs orders.

In 2020 Accent will co-produce with customers and front line employees a best in class mobile App, aimed at reducing some of the barriers to usage of the web portals and therefore driving channel shift away from the contact centre as well as improving the customer experience. In conjunction with this we will deliver a digital inclusion and skills programme to ensure all our customers have the ability and opportunity to be able to access digital services to improve their lives.

UKCSI is our key strategic measure for how satisfied our customers are, and complaint handling is the area that scored lowest for satisfaction. Making improvements to this area is a priority for improving the overall customer experience. In 2019 we undertook an end to end review of the service and agreed a charter for improvement to be delivered in 2020. This includes improving our culture and building trust with customers through focussing on ownership and customer care, alongside improving our systems and processes for recording and monitoring complaints.

People
In 2019 we achieved a One Star Accreditation from Best Companies as a result of our first ever survey. This was beyond our expectations, but the feedback from colleagues during the process also demonstrated we have a great opportunity to improve further. Our response to the COVID-19 crisis has also highlighted the opportunities we now have to effect a significant shift in how we work and communicate, particularly in terms of maximising technology and developing our approach to supporting colleagues' health and wellbeing.

The headline areas of focus for our strategy in 2020 will therefore be to facilitate smarter working – improving the capacity for our people and our organisation to deliver and to kick-start a programme of culture change by clearly defining the culture we want to deliver in Accent, aligning this across the organisation**.**

In terms of smarter working we will deliver a large-scale programme of process review, delivered via a single change methodology and aimed at identifying non-value adding activity and barriers. This will achieve quick wins where possible, but also create the capacity for transformational change, such as truly digital services and automation.

A culture change programme was already high on our agenda for the coming year. The results of our customer and colleague engagement were clear markers that we needed to improve empowerment, whilst simultaneously building accountability and ownership.

COVID-19 is a catalyst to accelerate this change programme. Our response to the crisis was decisive and swift; our overriding focus was the safety and wellbeing of our customers and colleagues. In order to maintain continuity of service in this environment we shifted to remote working almost overnight for all of our staff except a handful of designated key workers.

The success of our shift to remote working has demonstrated the appetite and ability of our colleagues to embrace change, and their ownership and commitment to customer service despite challenging personal circumstances. This is coupled with the imperative to support our customers and communities through the social and economic fallout from the pandemic. Following a positive response to these new ways of working we envisage implementing changes to working arrangements in the future, collaborating with our colleagues to develop the new 'normal' for Accent.

How are we performing?

Together these provide a huge opportunity to re-set our cultural direction in order to ensure that our organisational focus is on outcomes for customers, whilst caring for and empowering our colleagues to deliver.

In 2019 we have focussed on recruiting to the structure designed in order to deliver our new customer service offer, known as the Accent Partnership. We have successfully filled all of the new roles enabling us to move quickly into delivering outcomes for customers. The team also maintained service throughout the restructure, continuing to provide services to customers in over 20,600 homes, including 1,704 customers who are new to Accent.

In addition, we have put in place a number of tools and systems to amplify the customer voice throughout Accent and ensure we have a deeper understanding of customers' perceptions.

Strategic report (continued)

How are we performing? (continued)
As we reached the end of the year, our performance was starting to be impacted by the effects of the COVID-19 crisis on our customers, our teams and on our contractors. Continuing to re-mobilise our services and recovering our performance will be a key focus for 2020.

Customer Service
We have introduced UKCSI as our strategic measure of customer satisfaction. Our target is to achieve a score of 70 by 2021. Our first surveys were undertaken in May 2019, and whilst the score of 58.3 fell some way short of our target the results have given us insight into where we need to focus improvement. Each of the areas identified will build trust and reduce delays in our services. These include improving how we manage customer complaints, how we communicate with customers and the consistency and quality of our repairs service.

We have also implemented “Rant and Rave”, a system to gather real-time feedback about our transactional services. Initially we have introduced this in a number of key areas including when we let existing and new homes, the customer service via our contact centre and the delivery of repairs and maintenance. Customers receive a text or email inviting them to score their interaction between 1 and 5, with 5 being the highest level of satisfaction. We are really pleased to see that the average scores for all services being measured are above 4, and the majority of ‘satisfied’ scores are between 89% and 95% for all services.

Our contact centre has continued to be our central hub for managing all first line customer queries. In 2019/20, the team have handled over 386,000 inbound emails and phones calls. Outbound contacts have contributed to over £4m of income collected and customer satisfaction with the service is high, with an average score of 4.47 out of 5.

Service Area	Average Score	% Satisfied (=scores of 4 and 5)	Volume of feedback
Customer Service	4.47	94.91	28,605
Repairs	4.06	90.55	18,087
Planned Works and Servicing	4.14	89.40	5,178
New Tenant	4.55	94.61	1,688
New Build	4.14	89.66	58

Home Owners
2019/20 was again a very busy year for the Homeownership Team, working with colleagues across the business to deliver services to our 3000+ homeowners. There have been a number of key service improvements as a result.

Responding to customer feedback we have re-procured grounds maintenance services on a number of leasehold schemes, removing them from the regional contract and moving to smaller, local companies.

Mirroring the Accent Partnership for tenants, our Homeownership Specialists are visiting our schemes on a much more regular basis in addition to the fifty plus AGMs and similar number of budget meetings held each year. Residents have welcomed the increased visibility of Accent.

Arrears management is currently subject to review and we are in the process of developing a new arrears process. This area has been a focus for the Homeownership Specialists and arrears on day to day service charges at the end of the financial year were at their lowest since April 2017 with an in-year decrease of 11.5%, and major works arrears were at their lowest level in several years with an in-year decrease of over 12% across all homeownership schemes.

Housing Management
Our highest priority in the current climate is protecting our income streams whilst supporting our customers facing economic difficulty. Prior to the current economic impact of COVID-19, we had stabilised the arrears position in two of our regions and saw gradual reductions in the remaining three regions. As a result, our final arrears position on social housing properties 31 March stood at £2.7m (2019 £2.2m) in line with expectations.

COVID-19 led us to accelerate the introduction of our new income strategy. By the end of the year, we had removed automated contact and letters for low-level arrears, and found that 25% of customers cleared their arrears with no intervention. We are able to optimise resources to target customers who need support or intervention, and have avoided antagonising those who always pay us. We have amended our income communications to reassure customers they will not lose their home due to COVID-19 and our service is built on trust, support and good communications.

We are experiencing an 80% increase in new Universal Credit claims per week as a result of COVID-19. We engage each of these customers to assess their situation and agree payment solutions. Significant amounts of these customers have established positive payment behaviours.

We anticipate that we will not understand the full impact of the COVID-19 crisis on our arrear and income collections for some time as we are expecting to see a continuation of high volumes of people making new benefit claims and

Strategic report (continued)

Housing Management (continued)
benefit departments struggle with increased workloads. However, we remain confident our pro-active strategy will see us through the COVID-19 crisis and come out in the best possible position.

	2019/20	2018/19	2017/18	2016/17	2015/16
Current tenant rent arrears	3.18%	2.50%	2.20%	2.30%	3.10%
Average re-let times (gross days)	29.8	31.5	29.3	28.5	25.8
Empty properties	1.40%	0.90%	1.00%	0.70%	1.50%
ASB Cases per 1,000 properties	21.9	27.6	38.9	33.9	39

Repairs
When we originally set the Decent Homes Standard (DHS) targets for 2019-20, we had anticipated we would achieve 99.38% DHS. Unfortunately, our planned improvement programmes were significantly curtailed because of the impact of COVID-19 on both our contractors and ourselves. As a result, the year-end outturn for DHS was 98.73% which represents 226 property failures. To address these we have moved the works associated with these properties into the 2020-21 planned programme and address them as a priority. In addition we continue to work through our options appraisal process for those properties which may be subject to potential disposal and / or remodelling to ensure their sustainability in future.

Gas servicing performance has also been impacted and we had six overdue services at year-end. All were compliant with our policies and procedures and overdue because of access issues. One was completed very shortly after year-end and five were self-isolating (due to COVID-19). Our priority is to arrange appointments as soon as the lockdown is lifted.

Our performance on reactive repairs has been below expectations. Feedback from our customers via the UKCSI results, service complaints and failure calls into the contact centre are challenging, and repairs KPIs demonstrate that there is significant room for improvement. As a result, this service has been identified as one of our key improvement areas in the coming year. The situation has been exacerbated by the COVID-19 crisis, when we were compelled to move to an emergency only repairs service. Our highest priority once restrictions are sufficiently lifted will be to re-mobilise our reactive repairs service and ensure that any backlog of work is addressed.

	2019/20	2018/19	2017/18	2016/17	2015/16
Decent Homes	98.73%	98.97%	98.20%	97.25%	98.35%
Average Time to complete a repair (days)	12.7	11.6	9.3	7.6	8.6
Percentage First time fix	81.60%	80.60%	89.10%	93.90%	94.00%
Percentage Satisfied with responsive repairs	90.55%	88.10%	87.00%	92.40%	91.90%
Percentage Gas Serviced	99.95%	99.98%	99.91%	99.97%	99.96%

Environment
We have an ongoing strategy to ensure all of our homes achieve an Energy Performance Certificate banding of D or higher, where possible, by December 2020. To achieve this, another 93 homes will benefit from the required improvements. In addition, we have 30 homes that we have identified as unlikely to achieve this standard due to the difficulties that would be involved in completing the required improvements. We will assess these homes to understand the best course of action for them and our customers. We are also assessing the rest of the stock portfolio to provide assurance that this objective can be achieved in full.

We have built 165 new homes in 2019-20, all of which achieve a minimum Energy Performance Certificate banding of C.

We have undertaken 1,116 heating upgrades, and upgraded 691 windows and doors to circa 1,708 customer's homes, helping to improve energy efficiency and the effectiveness to the building components.

We have thermally insulated 263 homes to improve customers' comfort levels and reduce fuel bills. We have installed mains gas into 12 schemes and will be installing 251 heating upgrades to customer's homes, to improve the reliability and energy efficiency of the heating and hot water.

We have automatic meter reading solutions installed to our landlords electricity and gas supplies to ensure the costs passed onto our customers via the service charge are accurate and the data is used to inform the way technology is used / replaced in the future to increase energy efficiency. We have two pilots with Ideal Boilers and Valliant across 35 homes, these include installation of remote monitoring technology, aimed at detecting underperforming boilers/irregular energy use by customers, both of which result in using too much energy.

During 2020-21 we will be considering a new energy efficiency/environmental standards strategy, which takes consideration of the decarbonisation agenda and what we can do to reduce our carbon emissions, improve the quality of our homes and reduce fuel costs for customers where possible.

Strategic report (continued)

Customer Voice
In 2018, we launched a new resident engagement strategy aimed at increasing the breadth of engagement and amplifying the customer voice in all aspects of Accent. This was the recommendation of a Co-Design Group consisting of residents, Board members and colleagues.

The strategy aimed to deliver this through introducing:

- A simpler structure, promoting clearer channels of communication
- More emphasis on online engagement
- A more concentrated effort to engage with underrepresented groups
- Scrutiny activity at a national, rather than a regional level

The National Scrutiny Group were recruited and began their scrutiny activity in late 2018. In 2019/20, they have completed three scrutiny investigations, consulting over 745 customers and interviewing 35 colleagues / contractor operatives as part of the process.

Outcomes from these include the introduction of Rant and Rave real time customer satisfaction and feedback collection, improved communications and customer engagement on fire safety, and the recruitment of residents as Green Inspectors to assist in monitoring the performance of our grounds maintenance contractors.

The Accent 500 is a collective of Accent customers who we consult with on a regular basis to understand customers' needs and priorities, and to find out what they think about the services we provide. Over the past two years, this community has steadily grown and we currently have 440 members. This year over a third of members have told us that they are happy that services have improved and over two thirds feel that their participation is impactful in these improvements.

We also engage with a wider selection of residents in our surveys. This year we have completed 15 service specific surveys, eliciting 2,848 individual responses from residents who are happy to work together with Accent to improve services.

Our plans for the next twelve months are to develop more 'hands on' activities and local events where we are able to facilitate these with social distancing measures in place. We will also be providing more incentives for those who are willing to give us their time, and establishing a separate forum for homeowners.

Health and Safety
At Accent, the safety of our customers and colleagues is always foremost in our minds.

We have invested in key resources to ensure that we meet the health and safety needs of our customers and colleagues. We employ specialists in both customer safety and colleague safety roles to ensure that we have technical expertise and experience in-house. We also strengthen our in-house knowledge and practices through use of external, independent consultants to ensure appropriate challenge and guidance.

The Board provides oversight on health and safety, receiving specific performance reports at each meeting. We have established an Executive Health and Safety committee to focus solely on customer and colleague safety and the Audit and Risk Committee have ensured that the internal audit plan includes regular audits of key health and safety areas.

During the current year, our employee representative forum has established a sub-group dedicated to enhancing colleague health and well-being, which we believe is core to delivering excellent customer service.

The COVID-19 crisis introduced exceptional new challenges to the health and safety of both customers and colleagues. Accent has responded rapidly with a range of practical measures aimed at supporting customers and colleagues throughout this period from mobilising the workforce to deliver services from home through to supporting

key workers to continue conducting critical safety checks in residential properties and to identifying and making welfare calls to vulnerable customers.

We have recorded 107 accidents relating to customers or visitors to our residential areas during 2019/20. This is a marked increase on previous years following conscious efforts to increase the level of reporting across the organisation. The vast majority of these accidents are slips, trips and falls and the figures include both preventable and non-preventable incidents. We recorded 19 accidents involving employees (including very minor injuries) and three involving third party contractors. Three accidents (two relating to residents and one involving an employee) were reported to the HSE under RIDDOR requirements. To date there has been no third party investigation and no regulatory action has been taken.

Financial review
The year to 31 March 2020 has resulted in a deficit before tax of £1.7m (2019: surplus £52.79m). The deficit is primarily the result of £12.76m break costs and associated professional fees being incurred following the Group refinancing activity during the year which culminated in a public bond being issued into the debt capital market in

Strategic report (continued)

Financial review (continued)
July 2019 by subsidiary Accent Capital PLC. Accent Capital PLC on-lent the funds to the Society which utilised £122.4m of the £225m raised to fully repay borrowing with Nationwide Building Society. The prior year surplus of £52.79m before tax was primarily a result of a net upwards revaluation movement on our housing stock of £38.48m.

The core business of providing affordable housing remains strong and has produced a financial result in line with expectations. The principal highlights are as follows:

- The Society's core affordable housing business made an operating surplus of £16.21m (2019: £19.57m), the reduced surplus arising from a combination of:
  - increased repairs and maintenance costs of £1.07m reflecting our commitment to increase investment in existing properties.
  - increased depreciation of £1.69m following the increase in valuation of our housing properties recognised in 2018/19.
  - additional other costs of £1.67m associated with the committed redevelopment of our scheme at Ripleyville, Bradford – a single scheme which is no longer considered fit for purpose and has previously been fully impaired. Costs include home loss payments and decanting costs associated with the initial phases of the redevelopment.
- Other activities made an operating surplus of £7.7m (2019: £3.32m), with the principal reasons for this increase being:
  - a gain of £2.4m arising following a review of the Accent Group Pension Scheme which led to the amendment of the benefit structure in order to make the scheme more sustainable and fairer for all staff in the future. Accrual rates and spouses pensions were amended along with a change from RPI to CPI for future benefit increases and revaluations. These changes enable the scheme to remain open to new entrants.
  - an increase in grant received and recognised for newly completed properties to £4.79m (2019: £1.91m), a result of the increased development activity in the Society. In the year to 31 March 2020 the Society developed 165 properties compared to 73 in the year to 31 March 2019 giving rise to the increased level of grant.
- During the year housing properties amounting to £23.45m (2019: £13.03m) were completed, in line with the Society's strategic plan and continued focus on development of new homes.
- During the year the Society invested £41.91m (2019: £36.95m) in repairs and maintenance, both capital and revenue, reflecting the continued focus of the Society on improving the quality of our existing homes.

After the transfer of the total comprehensive surplus for the year of £2.45m (2019: £91.17m), the Society's reserves amounted to £360.69m (2019: £358.24m).

Investments and treasury management
Following the issue of the bond in July 2019 by Accent Capital PLC and receipt by the Society of on-lent funds there is a significant amount of liquid resources at the year-end amounting to £105.1m (2019: £42.7m). This positions the Society well to deliver its' corporate strategic aims which include improving the quality of existing homes and services and delivering new homes via development activity.

The strong liquidity position also gives the Society flexibility to deal with the current challenges and those of a post COVID-19 world. These liquid resources are managed in line with the Group's, Board approved, Treasury Management Policy and Investment Policy. Both policies were reviewed and updated during 2019/20 and were subject to detailed scrutiny from the Treasury Committee with guidance from external expert advisors.

The Group operates a centralised treasury function, with responsibility for the management of liquidity, interest rate and counterparty risk. The strategy has an overriding objective of the avoidance of unacceptable risk with surplus cash being invested with approved counterparties (banks and money market funds) in line with Treasury Management Policy that defines credit quality criteria and maximum exposure limits.

Value for Money at Accent
Accent continues to embed and enhance the holistic approach to value for money across the organisation. It remains at the very heart of what we do and influences our decision making in every aspect. That said Accent does not believe that value for money should mean obtaining the cheapest product or service and that quality should be sacrificed purely to save money.

It is a strongly held belief that we look for the best in everything to provide a first class service to our customers. This is reinforced by our mission and core strategic aims - to improve people's lives through offering affordable, secure homes, offering service choice and innovation, empowering our talented workforce and remaining ambitious and resilient.

During the financial year to 31 March 2020 Accent has continued to challenge the approach to value for money throughout the organisation reinforcing that the subject matter is embedded into everyday life within the

Strategic report (continued)

Value for Money at Accent (continued)
organisation and not an afterthought in the procurement process. Accent has continually delivered high quality innovative services to customers utilising the resources we have to the best of our abilities, examples include:

- **The Accent Customer Partnership** – The product of talking to over 500 residents in surveys and focus groups. Our fact finding mission was centred around one simple question – what more could we do to help our residents stay in their homes? Answers ranged from how we could improve the lines of communication to how we could reward customers that always pay their rent on time. There were also some suggestions around the kind of information we provide, and what customers think our responsibilities should be. It is with their valuable input that we arrived at a new vision of what their experience with Accent should look like – the Accent Partnership.

  A restructure was launched in late 2018/19 and the new partnership role launched in July 2019. This has revolutionised how we interact with our customers and freed up resources to allow us to develop centralised specialist teams to focus on key areas such as income management. This has proved successful as income recovery levels have remained stable despite increasing levels of universal credit. Moving into 2020/21 and the impact of COVID-19 on our customers this ability to provide tailored and specialist support on a personal level will without a doubt become more valuable.

- **Bond Issuance and Refinancing** - In the summer of 2019 Accent launched its first ever publicly listed bond on the London Stock Exchange. The issue was met with exceptional levels of interest (six times over-subscribed) and secured £350m in funding, of which £125m was retained for future sale. The coupon rate (of interest) we secured was the lowest ever for long dated debt for a debut issue in the housing sector (at the time), and the first to be below 3%. This refinancing has allowed us to revolutionise our funding profile, repaying some borrowings early to give the Society increased flexibility, lower the overall weighted average cost of debt and place the business in a strong liquidity position to pursue the development objectives which are clearly defined in the strategic plan.

  Break costs and professional fees of c £12m were incurred as part of the refinancing however, the reduction in future borrowing costs resulting from the low interest rate achieved on the bond issuance will overall more than compensate for these costs. The successful bond issue and strength of Accents liquidity has subsequently led to the business reviewing the overall development strategy with renewed vigour and being more ambitious in our longer term plans, whilst retaining our cautious, prudent appraisal methodology and effective scrutiny arrangements. Whilst it is acknowledged that COVID-19 will mean we need to be even more cautious in realising our ambitions we do believe we are well placed to continue our development programme and deliver quality affordable homes to support the increasing demand within the UK.

- **Repair service** – Whilst acknowledging that our repair service is not where we would like it to be, we are simplifying certain processes in order to make it much easier for customers, our staff and contractors to interact with. This involves improving the way we diagnose repairs, providing real time scheduling and ensuring our new customer satisfaction platform, Rant and Rave, is used to influence and continually improve our repairs service. Through investment in technology all of our staff will be empowered and have the ability to raise repairs easily from site, without the need to pass these through our contact centre, increasing efficiency for all concerned and foremost getting our contractor to the customer as soon as possible. We are working towards giving the customer complete control and insight into how their repair is handled and progressed throughout the repairs journey to completion. Work is ongoing and will continue throughout 2020 and into part of 2021.

- **Robotic Innovation** – During 2019/20 we have developed and utilised robotic process automation (RPA) to update over 7,500 accounts on our housing management system on which would have taken several weeks to manually enter. We are now exploring a significant number of other processes where this technology can be applied to reduce the amount of manual transactional activity and free up staff time for more value added work supporting the customer experience.

- **In-house Recruitment** - Prior to April 2019, Accent's approach to recruitment was relatively reactive. The majority of expenditure was through recruitment agencies with very limited direct advertisement and activity. In April 2019 we recruited a Resourcing Advisor to provide a focus on recruitment activity for the Society. Over the course of 2019/20 Accents recruitment activity increased by 67% (primarily to support the Accent Partnership) whilst costs remained lower than 2018/19. Not only did we realise significant cost savings but, we have also created a more professional, robust, co-ordinated, and enjoyable approach to recruitment that has allowed us to target individuals who share the Accent ethos in a more innovative manner.

Strategic report (continued)

Value for Money at Accent (continued)

- **COVID-19** – The event of COVID-19 and the lockdown arrangements inevitably had a huge impact on the Accent way of working. The business adapted quickly and with little disruption with team members being able to continue their roles, remotely in an agile manner. Through the pro-active use of technology and the desire to maintain customer service standards the entire Accent customer contact centre was mobilised to work remotely from home within five working days. This flexibility and agility, at relatively low incremental cost, will undoubtedly change the way we work in the future and further enhance our offer to our customers.

These examples are amongst many activities which illustrate a holistic attitude and consideration across the business. Continuous improvement in all aspects helping to underpin the strategic aim of being a resilient and ambitious business.

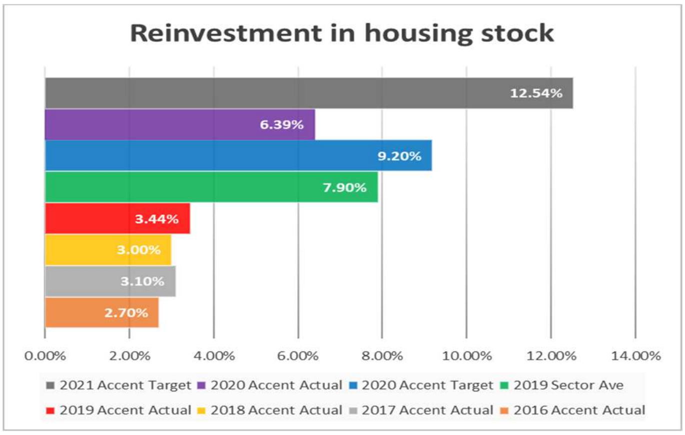
Accent Housing Limited is the parent company of Accent Capital PLC, Accent Homemade Limited and Domus Limited. The value for money measures presented are an entity position of Accent Housing Limited results and

represent 99.98% of the consolidated operating surplus. Accent Capital PLC was created to allow the Group to issue a publicly traded bond on the London Stock Exchange, securing long term borrowing rates substantially lower than previously achieved thus enhancing the Society's value for money position from a treasury perspective. Accent Homemade Limited is the Group's development arm and allows Accent to develop properties in a tax efficient manner whilst retaining the charitable status of the Group.

HOW DO WE MEASURE OUR SUCCESS?

Accent takes value for money seriously and performance against the Regulator for Social Housings' key metrics is monitored monthly within the management accounts. Our performance against these metrics for the year to 31 March 2020 and narrative supporting any variation against our targets and sector benchmarks is summarised below:

Reinvestment in housing stock



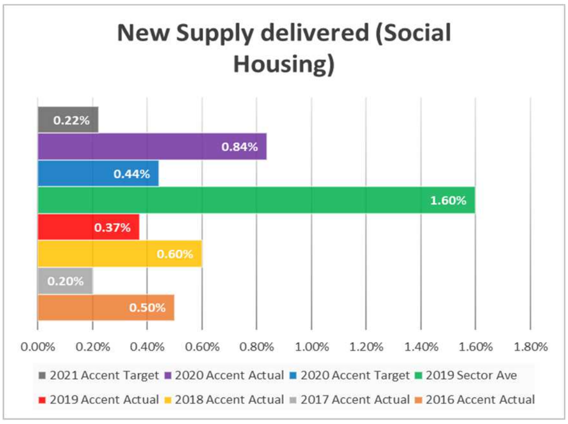
In 2017/18 Accent reset its strategy and placed an emphasis on being a key player in the UK's response to the housing crisis. Our ambition was to develop around 2,000 properties over five years whilst reinvesting in our existing homes and services to position ourselves as landlord of first choice providing good quality, safe and secure homes. Historically Accent has only developed on a modest scale and below the sector average having primarily focussed on repairs and maintenance.
The new corporate strategy and with it the development strategy has repositioned Accent, such that for 2019/20 we set a target of 9.2% reinvestment – 1.3% above the sector average of 7.9%. At the end of 2019/20 we had achieved a reinvestment figure of 6.39% falling short of our ambitious target and the sector average. A number of development schemes that were anticipated to complete in late March were unfortunately delayed when COVID-19 began to have an impact. In addition some sites were slower to break ground than anticipated delaying some of the anticipated capital expenditure.

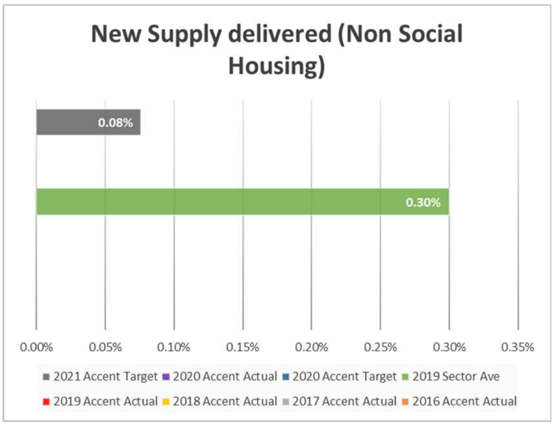
The target for 2020/21 is stretching for Accent and reflects our planned development programme with a significant number of developments currently on site due to complete beyond 2020/21. It must be acknowledged now that the target was set pre COVID-19 and as such may be even more challenging due to the potential for delays in construction, however Accent remains committed to delivery of new housing stock and we firmly believe our properties will be in demand in the coming years more than ever as the country looks to recover from the COVID-19 pandemic.

Strategic report (continued)

Value for Money at Accent (continued)

New Supply Delivered

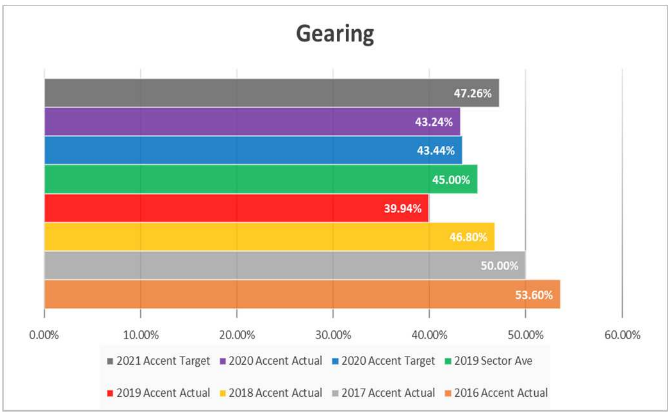




Accent has been building a solid development pipeline since the overarching strategy was reset in 2017/18. Time was taken to establish a strong development team and procure developments which aligned with Accents vision for the future. A target of 0.44% was set for 2019/20 which appeared low at the side of the sector average however this was reflective of what was felt achievable with a newly established team and the identified pipeline at the time. In reality Accent has developed and procured new supply of 0.84%, this being the equivalent of 165 units against a target of 85. This has been achieved through the improved liquidity resulting from the Group's bond issuance in July 2019 allowing the business to move quickly when opportunities arose. 42 units were procured in the key development corridor near Milton Keynes in late 2019 contributing significantly to the performance. Going forward into 2020/21 the target for Accent appears diminished however this is due to the number of schemes which are on site but will take 18-24 months to complete. New supply is anticipated to increase significantly beyond 2021/22 as developments conclude and new assets are brought into management.

Accent is planning to deliver only a small number of properties for non-social purposes during the 2020/21 financial year (15 units). No targets were set for 2019/20 nor previous years as no units were planned for development. Previously the expansion of this strategy had been considered to cross subsidise the affordable rented homes however we consider this approach to have both a raised and rising risk and hence we have refocused on affordable rented and shared ownership tenures in our development plans. As such no further significant developments in this tenure type are planned.

Gearing

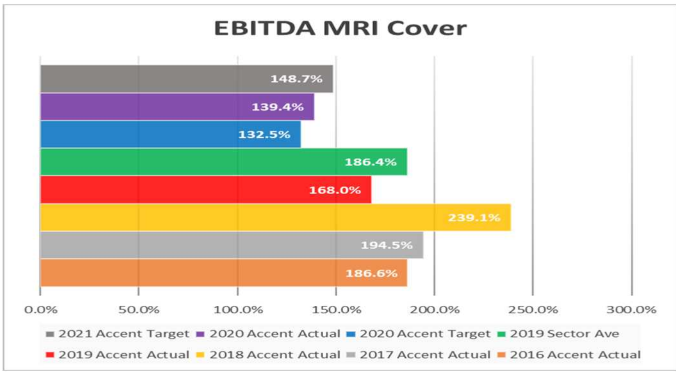


Accent continues to enjoy a comparatively low gearing position at 43.24% in the year to 31 March 2020 despite having refinanced during the financial year: £225m in bonds issued in July 2019 by Accent Capital PLC with funds on-lent to the Society coupled with the repayment of significant borrowings with Nationwide. This capacity underpins our ability to further borrow and develop. In the year to 31 March 2020 Accents gearing is slightly lower than budgeted primarily due to cash reserves being higher following lower capital expenditure than anticipated on new development due to delays arising from the COVID-19 pandemic in late March 2020. Moving into 2020/21 the position is expected to shift slightly as cash reserves are utilised through continued planned development and reinvestment in existing stock.

Strategic report (continued)

Value for Money at Accent (continued)

EBITDA MRI Cover - Earnings Before Interest Tax Depreciation and Amortisation Major Repairs Included

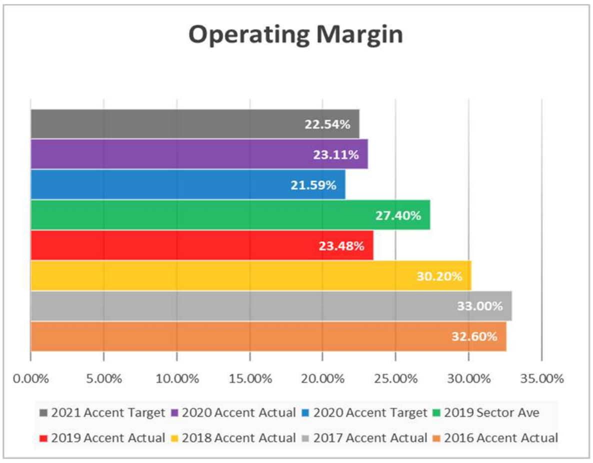


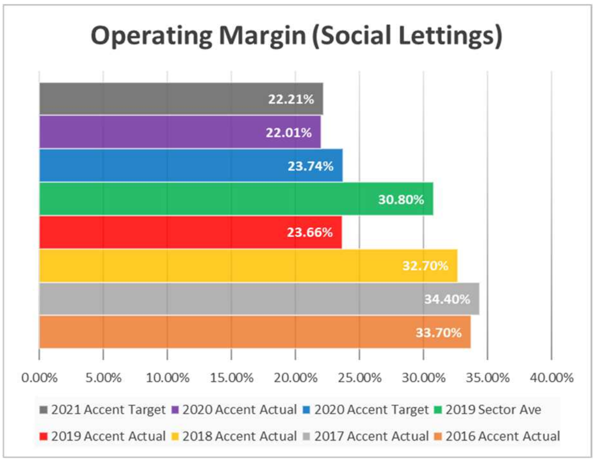
The Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) position at Accent was budgeted to fall in 2019/20 as the business refinanced, and looked to invest in its infrastructure and properties in the face of the ongoing rent cut that has restricted the sectors income for the last four years. The actual outturn is slightly higher than originally budgeted as a result of the bond issuance in July 2019, whereby Accent achieved the lowest coupon in the sector for a long dated debut issuance. The reduction in interest expense has saved Accent circa £2.5m per annum compared to our previous business planning assumptions for the next 30 years allowing more reinvestment and capacity to develop new homes in future years.

Accents position is being targeted to improve in future years (as reflected in the 2020/21 target) as the new funding is used to develop new properties, generating new income streams, and efficiencies across the organisation through investment in technology and smarter ways of working. It is planned that by 2021/22 Accent will see EBITDA targets converging with sector averages.

Please note the one-off break costs associated with the repayment of the Nationwide loan have been excluded in arriving at both the 2019/20 target and 2019/20 actual EBITDA figures, in order to improve comparability.

Operating Margin





2019/20 was always expected to be a challenging year for Accent in respect of operating margins as we moved into the final year of the rent cut and incurred significant costs undertaking the refinancing of the Group. This was done with our overarching strategy in mind to ensure we are fit for the future and can deliver on our promises to our customers.

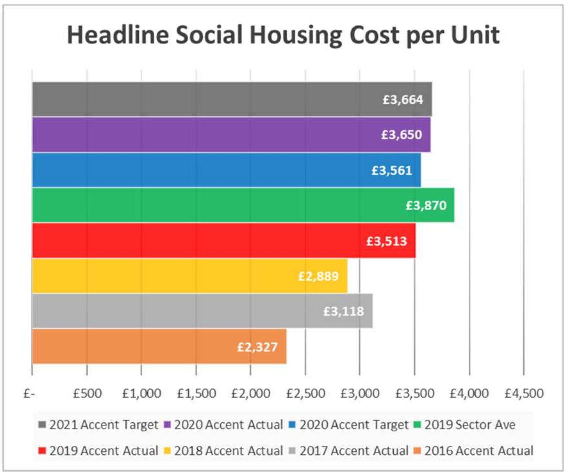
The overall margin achieved is slightly higher than target at 23.11% with the improvement recognised primarily being as a result of a £2.4m gain on the AGPS pension scheme arising from benefit changes implemented in year and additional grant arising on completed new homes. The changes to AGPS were deliberately designed to make the scheme more affordable, sustainable and fairer to staff given the increasing cost pressures.

Social lettings operating margin is slightly lower than target due to a number of one-off costs management decided to incur during the year to address specific properties and projects, offset in part by additional grant being achieved through newly developed units reaching practical completion during the year.

Strategic report (continued)

Value for Money at Accent (continued)
Margins are targeted to rise marginally in 2020/21 despite increasing pressures on the cost base resulting from external factors such as health and safety, inflationary cost rises and the anticipated impact of Brexit on the cost base. The impact of COVID-19 has yet to be fully understood and for clarity these targets were set before COVID-19 was declared a global pandemic.

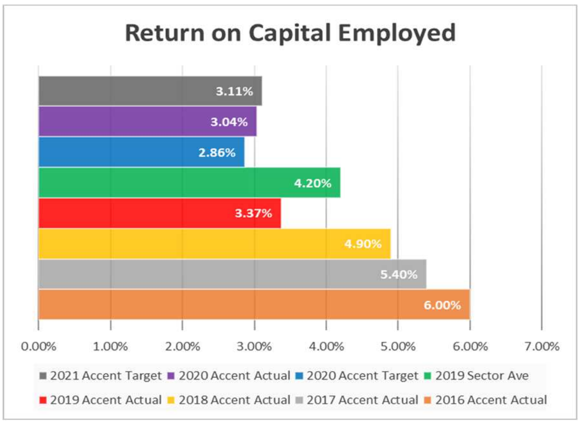
Headline Social Housing Cost per Unit



Accent has recorded a lower cost per unit than the sector average for a number of years. The actual outturn of £3,650 per unit for the 2019/20 financial year was £137 higher per unit than the 2018/19 actual of £3,513 per unit. This variance can be attributed to significant amounts being made available for the redevelopment of the Ripleyville scheme. The scheme is a 1960's development, which is no longer fit for purpose. Residents were consulted in early 2020 and overwhelmingly supported its demolition and redevelopment and were accepting of the need for them to be relocated. This cost has inevitably driven up the cost per unit as demonstrated by the metrics but remains the right course of action.

In addition, Accent has seen increased expenditure in the areas of tenancy support and estate improvements. Some of these costs have emerged since the launch of the Accent partnership which empowered our customer partners to support our customers on a more informed and targeted, personal basis. Moving into 2020-21 we envisage the headline cost per unit remaining relatively stable, with a target of £3,664 per unit reflecting a modest increase of £20 per unit. The one-off costs attached to Ripleyville will not be repeated, however significantly higher levels of investment are planned within housing management to continue empowering staff to support customers to the best of their abilities alongside investment in digital innovation to underpin Accents corporate strategy and ambition.

Return on Capital Employed



Return on capital employed was lower than the sector average at Accent in 2019 however this was not unexpected as the organisation was restructuring and preparing to refinance in accordance with the corporate strategy alongside Accent continuing to experience rent cuts and increasing pension costs. These additional costs were coupled with the revaluation of the housing stock resulting in a significantly higher asset base over which to measure the profitability of the business.

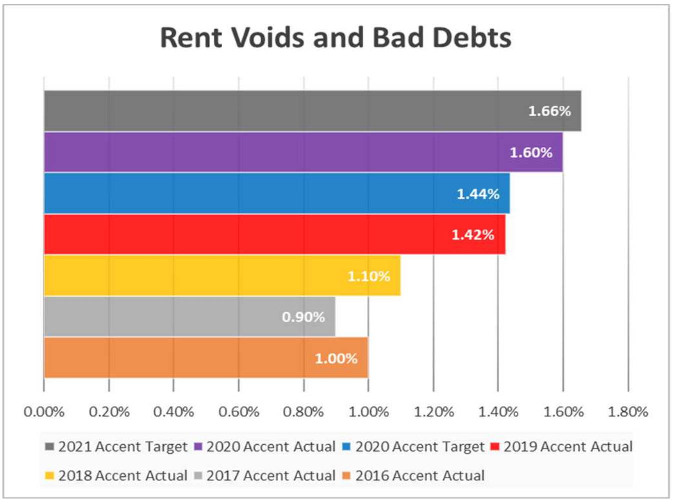
Strategic report (continued)

Value for Money at Accent (continued)
The target for 2020 was further reduced as the final year of rent cuts were experienced and significant costs were incurred in preparing the business for the next stages of refinancing, the digital agenda and customer service re-set. The actual result for 2019/20 is an improvement on target due to gains arising from the pension scheme restructuring and higher levels of grant being achieved.

Further improvements in operating efficiency are targeted for 2020/21 alongside ongoing investment in existing homes and in new stock. As such the target for 2020/21 is not significantly higher than recent years. Our plans anticipate that more significant change in this ratio will be seen from 2021/22 onwards when the development programme begins to generate material income streams and further management cost efficiencies.

In addition to the measures specified by the Regulator of Social Housing Accent regularly monitors a number of key performance indicators of its own. These indicators are the ones which are considered strategically important in measuring our effectiveness and success. The Accent measures are:

Rent Voids and Bad debts



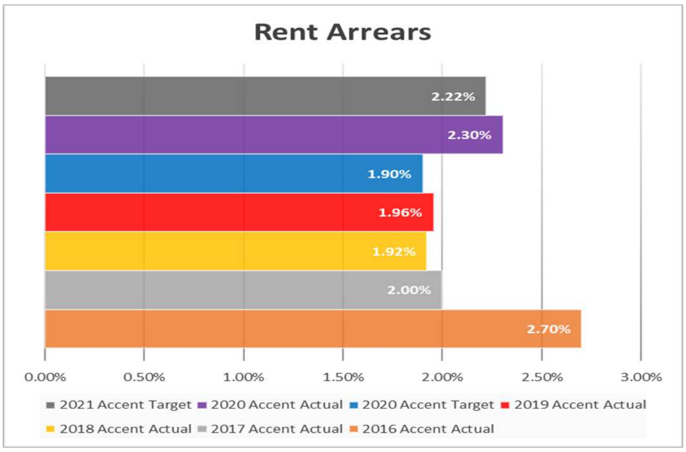
Managing void properties and active management of bad debts to minimise lost income continues to be one of the biggest challenges facing the sector. Accent continues to experience relatively low levels of both voids and bad debts. Sector averages of these measures are not readily available however benchmarking has suggested that the average void loss in 2018/19 was 1.5%. Accents measure when disaggregated shows bad debts of just 1% demonstrating positive management of income collection. The 2019/20 overall position is marginally over target at 1.6% vs 1.44%, a monetary variance of just £0.12m, and as such is not considered a cause for concern.

The ever increasing requirements on the sector in respect of decent homes standards and health and safety continues to be a challenge in respect of void management and re-let times however this is being actively monitored and managed within Accent. The 2020/21 target is slightly increased to reflect the further roll out of universal credit, again before the COVID-19 impact can be fully determined.

Strategic report (continued)

Value for Money at Accent (continued)

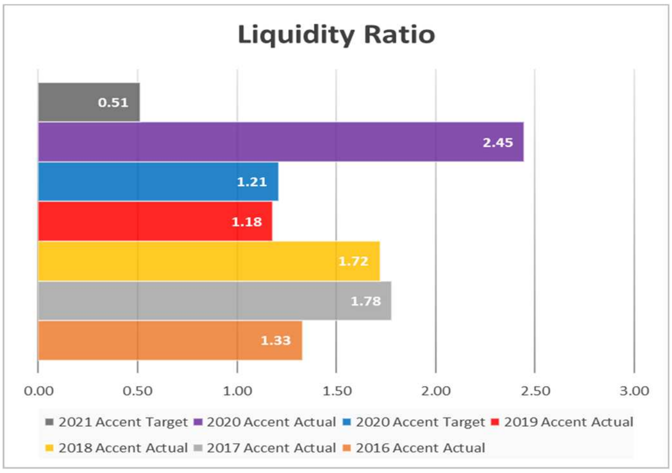
Rent Arrears



Rent arrears are carefully managed and monitored as the timely collection of rent ultimately has a direct impact on Accents ability to execute its strategy and invest effectively. Rent arrears have increased to 2.3% in 2020 from 1.96% in 2019 and against a target of 1.9%. At 31 March 2019 Accent had 2,198 customers accessing universal credit, at 31 March 2020 this had increased to 3,895 and arrears had increased by £601k – an increase of 77% in both cases and monetary values.

In response to this a specialist income strategy team was created in the summer of 2019 with a full review of processes and systems taking place, by Q4 of 2019/20 there was stabilisation of the position and pre COVID-19 an overall reduction was anticipated. The target for 2020/21 was set to see a small reduction against the 2019/20 levels however this will be subject to the impact of COVID-19 and further universal credit cases occurring as a result, and consequently is being kept under close review.

Liquidity Ratio



Liquidity remains the key to any business continuing successfully and like any business, limited cash reserves would mean Accent would be unable to execute many aspects of its' corporate strategy. Development, investment in existing homes, innovation of service choice, investment in our people, all requires capital funding. At the close of the 2019/20 financial year Accent found itself in a very strong position in respect of liquidity and well placed to cope with the unexpected event of COVID-19. Liquidity is significantly higher than budgeted at the 2019/20 year-end primarily as a result of the development programme progressing at a slightly slower pace than originally planned leaving cash balances circa £40m higher than anticipated.

The 2020/21 position is budgeted to be significantly reduced as around £100m in cash is anticipated to be invested during the year in developing new homes and improving existing customers' homes and services. This expenditure and reduction in liquidity is in line with our fully stress tested financial plans and development strategy. However, it is likely that the post COVID-19 landscape will lead to slower development and capitalised maintenance activity than originally planned during 2020/21. Liquidity remains under close focus at Accent and the business has significant retained and unutilised facilities at its disposal should they be required.

Strategic report (continued)

Value for Money at Accent (continued)

FORWARD LOOKING

Setting forward looking targets for the organisation remains an important aspect of the strategic planning cycle. Looking into 2020/21 is challenging for any business at present and Accents targets were set prior to COVID-19 impacting the way we live and work. As such caution must be taken when considering performance against these forward looking targets.

However Accent remains ambitious and we are clear regarding the resilience of the business placing us in an excellent position to support our existing and potentially new customers who may look for our support in the post COVID-19 world.

Work has now commenced on the refresh of the corporate strategy looking forward to 2026 and beyond COVID-19 but grasping some of the unexpected benefits and new ways of working it has inevitably revealed. Value for money is a key theme running through the review and will be at the heart of decision making as we look to move forwards beyond 2020/21.

The Strategic Report was approved and authorised by the Board and signed on its behalf by:

Matthew Sugden
Secretary
8 July 2020

Report of the Board

The Board presents its report and the financial statements for the year ended 31 March 2020.

Principal activities
The principal activity of the Society is the management and development of affordable housing for those in most need, operating in the east, north east, north west, south east of England and in Yorkshire. The Society also provides housing through low cost home ownership schemes and leasehold schemes for the elderly. It also operates an assisted living scheme, subsidised rented accommodation for students, keyworkers and special needs accommodation.

Transfer of engagements
On 31 March 2020 the Society completed a Transfer of Engagements as provided for by the Co-operative and Community Benefit Societies Act 2014. On this date Accent Corporate Services Limited transferred all of its assets, liabilities and activity to the Society. The transfer has further strengthened Accent's governance, financial capacity and value for money position.

The transfer of engagements constitutes a public benefit entity combination that in substance is a gift under the Financial Reporting Standard 102 (FRS102) and the Housing SORP2018, hence merger accounting has not been applied and no comparative amounts have been required to be restated. All assets and liabilities transferred by Accent Corporate Services Limited to the Society were transferred at their fair value as at 31 March 2020.

Management judgements and estimates
The preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made are described in note 1 – Accounting Policies.

Performance for the year and future developments
Details of the Society's performance for the year and future plans are set out in the Strategic Report on pages 2 to 19.

Board Members and Co-opted Executive Directors
The Board members and co-opted executive director (the current Group Chief Executive) are shown on page 1. The principal responsibilities of the Board are to:

- Demonstrate commitment to the values and objectives of the Society;
- Develop the Society's strategy;
- Uphold the National Housing Federation Code of Governance and;
- Represent the Society.

Our corporate strategy has two key objectives; first, to deliver high quality homes in response to the UK's housing crisis and second, to transform how we provide services to our customers. Our Board has set a clear statement of intent to use our significant financial capacity to deliver around 2,000 new homes over the next 5 years, to play our part in addressing the UK's broken housing market.

Our current committee structure went live in October 2018 following an external review of our governance carried out by Altair. The new structure has enhanced our governance enabling the delivery of our corporate strategy and created greater capacity for strategic debate at Board level. In early 2019, the Board made the decision to create an additional committee (the Executive Health and Safety Committee) to increase the focus and scrutiny on health and safety.

A governance follow-up review, also conducted by Altair during 2019, endorsed the rationale of the Board to extend the scope of the Group Remuneration and Nominations Committee to include broader HR issues. The committee has therefore become the Group People Committee to reflect this.

The current committee structure comprises:

- **Group Audit and Risk Committee** – which supports the Board in relation to the broad audit and risk function and to provide reassurance that internal control arrangements across the Group are appropriate and operate to the highest standards.
- **Group People Committee** – which supports the Board through its oversight of the People Strategy to enable us to embed and sustain a values-based culture that delivers the vision and corporate strategy; and ensure that appropriate governance arrangements are in place in respect of Executive and Non-Executive appointments, succession plans, performance assessments, development plans, and Executive reward and remuneration.
- **Group Treasury Committee** – which advises the Board on performance and effectiveness of the treasury management function, provide additional scrutiny of treasury proposals and execute any specific delegated decisions.

Report of the Board (continued)

Board Members and Co-opted Executive Directors (continued)

- **Group Capital Investment Committee** – which is responsible for ensuring delivery of Accent's development programme and asset management strategy. This includes procuring, developing and disposing of land and property.
- **Customer Experience Committee** – which reviews the performance and operational service delivery of all housing and customer services and property customer facing functions, including resident feedback. Approves annual operational key performance indicators and set targets for agreed areas of operational service delivery.
- **Executive Health and Safety Committee** – which ensure that our policies, procedures and working practices regarding health and safety meet or exceed any legal obligations, with the object of promoting the well-being and safety of our customers, colleagues and communities.

The current process for reviewing individual Board and committee members' performance will be improved to reflect the recommendations in the follow-up governance review. The appraisal meetings will continue to appraise contribution, attendance and training and development needs. All Board and committee members are required to provide an annual governance declaration, including declarations of interest, to ensure on-going independence.

During the past year the Board comprised of the Group Chair, seven non-executive directors and the Group Chief Executive, biographies for individual Board members are available on the Group's website at www.accentgroup.org. The current Group Chief Executive is employed on terms that are consistent with market practice including a six month notice period. Details of Board members' remuneration are included in note 8 to the audited financial statements. The co-opted executive director is entitled to a vehicle allowance. Group insurance policies indemnify Board members and officers against liability when acting in their professional capacity on Group business. Remuneration details and attendance levels for Non-Executive Board members at Board and Committee Meetings for the year ended 31 March 2020 is as follows:

Non-Executive Board Members attendance and total remuneration

	Group Board No.	Audit and Risk No.	Treasury No.	Capital Investment No.	Customer Experience No.	People No.	Executive Health and Safety No.	Total remuneration^ £'s
Tom Miskell (Chair)	6/7	n/a	n/a	n/a	n/a	3/3	n/a	21,569
James Kelly	7/7	3/4	n/a	n/a	n/a	n/a	n/a	9,166
Archana Makol	7/7	4/4	n/a	n/a	n/a	n/a	n/a	9,134
Sally Ormiston	7/7	n/a	n/a	n/a	3/4	n/a	n/a	9,051
Rob Seldon	7/7	4/4	4/4	n/a	n/a	3/3	n/a	9,051
Richard Wilkinson	7/7	n/a	n/a	n/a	4/4	n/a	5/5	10,748
Helen Jaggar	4/5	n/a	n/a	n/a	4/4	n/a	n/a	8,174
Steve Pearson	4/5	n/a	n/a	7/7	n/a	n/a	n/a	8,295
Peter Caffrey	2/2	n/a	n/a	n/a	n/a	n/a	n/a	3,017
Maggie Punyer	2/2	n/a	n/a	1/1	n/a	n/a	1/1	3,591

^ Inclusive of expenses and employers national insurance contributions

Pensions

The Society participates in the following pension scheme arrangements:

- Employees across the Society are eligible to join the Accent Group Pension Scheme (AGPS), a defined benefit pension scheme in which the Society and employees contribute to the scheme.
- The Society also participates in the Social Housing Pension Scheme (SHPS) defined contribution (money purchase) scheme.

Both AGPS and SHPS schemes comply with auto enrolment legislation. The co-opted executive director and executive directors are active members of either the Accent Group Pension Scheme or the Social Housing Pension Scheme. They participate in the schemes on the same terms as all other eligible staff.

During the year and following a period of negotiation (based on appropriate actuarial and legal advice being received), agreement was reached with the Trustee Directors of AGPS to amend certain scheme benefits. The changes that have been implemented were designed to ensure the scheme remains fair, valuable to employees yet sustainable for the Society. Once the required consultation process with scheme members was concluded the following changes were implemented, by way of amendment to the scheme deed, with effect from 2 April 2019:

- A reduction in the accrual rate from 60ths to 80ths for future benefits built up on and from 6 April 2019 to 5 April 2023;
- A further reduction in the accrual rate to 90ths for future benefits built up on and from 6 April 2023;
- A reduction in member contributions from 10% of salary to 7.5% of salary on and from 6 April 2019;
- A change to spouse's pensions so that they are calculated as 50% of the member's pension for service on and from 6 April 2019 onwards before 6 April ; and

Report of the Board (continued)

Pensions (continued)

- A change to use the Consumer Prices Index (CPI), instead of the Retail Prices Index (RPI) as the only measure of the inflation used to increase pensions before and after retirement on and from 6 April 2019.

Employees, diversity and inclusion

The strength of the Society lies in the quality and commitment of its employees. The Society's ability to meet its objectives and commitments to residents in an efficient and effective manner depends on the contribution of all its employees. The Society continues to provide information on its objectives, progress and activities through regular office and departmental meetings and detailed one to one meetings for staff members with their line managers. The Society is an equal opportunity employer and complies with all current legislation with regard to equal opportunities. As part of this policy, encouragement is given to the employment of disabled people.

Health and safety

The Board is conscious of its responsibilities on all matters relating to UK health, safety and welfare legislation and has appointed a Board member as champion for health and safety. The Board reviews key performance metrics on health and safety measures at every meeting. The Audit and Risk Committee have ensured that health and safety audits feature strongly and consistently in the internal audit programme. The Audit and Risk Committee scrutinise internal audit reports, monitor the completion of recommended management actions and report outcomes to the Board.

The Group Chief Executive has overall responsibility for ensuring that policy is developed and implemented and that adequate resources are allocated. The Chief Executive chairs the Executive Health and Safety Committee, which is attended by the Board Health and Safety Champion, the Executive Director of Customer Experience and the Executive Director of Governance and Business Assurance. This committee meets every other month and reports to the Board to ensure transparency and oversight.

It is also the responsibility of management and employees alike to implement the policy together through their collective and individual responsibilities. Accent Group is a member of the British Safety Council and aims to operate a 'Best Practice' approach in order to maintain a safe working environment for all staff and Group premises.

Regulatory compliance

Corporate governance

The Board is committed to ensuring that it has robust governance arrangements that deliver its aims and objectives for tenants and potential tenants in an effective, transparent and accountable manner. Accent was rated as V1 G1 on 26 June 2019 by the Regulator of Social Housing following its In-depth Assessment in March 2019 and this was re-affirmed by the Regulator of Social Housing on 27 November 2019.

The National Housing Federation (NHF) 2015 Code of Governance has been adopted by the Board as a formal framework to underpin its governance arrangements. This particular code of governance was selected as it is bespoke to the housing sector and it is a widely recognised example of best practice. Compliance with this code ensures the Accent Group will:

- Adhere to all relevant laws.
- Ensure that its constitutional documents are, and remain, fit for purpose.
- Be accountable to residents and relevant stakeholders.
- Safeguard taxpayers' interests and the reputation of the housing sector.
- Have an effective risk management and internal controls assurance framework.

The Board has assessed compliance through self-assessment processes which have included a detailed examination of the effectiveness of the internal controls framework, a comprehensive review of compliance with the Regulatory Standards (which includes adherence to all relevant laws) and an assessment of compliance with the NHF Code of Governance.

In addition to the self-assessments, assurance has been obtained through appropriate use of third party specialists throughout the year. In 2019 Altair carried out a follow up to the governance review carried out in 2017/18 and concluded that 'Accent demonstrates a thoroughness in its approach to governance, and strives to continually improve in order to best support the delivery of the Group's strategic objectives'. The review made a number of recommendations designed to consolidate the governance structure and to ensure a comprehensive, joined-up approach to Board development, training and succession planning. As a result, the governance structure has been amended and additional non-executives recruited to ensure the appropriate experience and specialist skills for the new Executive Health and Safety Committee and the Group People Committee.

As part of integrated and dynamic business planning and forecasting, the Board has reviewed its risk appetite, and along with committees, where appropriate, further reviewed and influenced stress testing scenarios and mitigation modelling. This work is required by the regulator, but more than that, is fundamental to good business planning and hence was a key part of the Board being able to promptly, initially assess the potential financial impact of the COVID-19 crisis on Accent and establish with a degree of certainty the extent of resilience the business has.

Report of the Board (continued)

Corporate governance (continued)
The Board has regularly reviewed and monitored via the Group's management accounts Accent's performance against the metrics set out in the Regulator's Value for Money standard. Performance against forecast, targeted budget and prior periods is also considered.

Merger code
The Board has adopted the National Housing Federation's voluntary code; "Mergers, Group Structures and Partnerships". As a result, the Board is informed of merger, group structure or partnership opportunities at the outset. A record is also kept of activity including any proposals reviewed or submitted along with the outcome.

Financial statements and accounting policies
The Society applies the Statement of Recommended Practice (SORP 2018) for Registered Social Housing Providers and is in compliance with the Accounting Direction for Private Registered Providers of Social Housing 2019. A summary of the principal accounting policies is set out in the notes to the financial statements.

Statement of compliance
The board has taken steps to ensure that the Group adheres to the regulators Governance and Financial Viability Standard and its associated code of practice. Following detailed review Accent currently remains in full compliance with all applicable laws. The COVID-19 crisis has brought unprecedented levels of disruption, change and uncertainty, not only to residents, but to colleagues and Accent Group's wider stakeholders. As a consequence of COVID-19 being able to assert that Accent remains fully compliant with all areas of compliance presents a substantial challenge. Currently Accent remains in compliance with all areas of health and safety regulations. This is scrutinised on a monthly basis by the Board's health and safety committee. The Board continues to take all reasonable steps to ensure that Accent Group remains adherent to the Regulatory Standard's and associated code of practice, and where decisions have been made to defer or alter compliance levels these have been appropriately scrutinised, transparently recorded and plans developed to resume normal levels of compliance as soon as is reasonably practicable.

Political and charitable donations
The Society made grants and awards of £nil (2019: £1k) to individuals and groups based in the communities in which we work. No donations were made to political parties during the year.

Internal controls assurance
At the time of writing, the UK is in the midst of the COVID-19 pandemic and some form of 'Lock down' has been in effect since the 23rd March. The impact on the economy, on jobs, on lives is not yet known but is expected to be significant and far reaching. As mentioned in the Strategic Report, Accent's strategic risk register is currently being reviewed as almost all strategic risks are impacted by the COVID-19.

Introduction
Overall confidence in our internal controls framework remains high with executive and non-executive directors expressing satisfaction with our strategic approach, management of risk, strength of internal controls and levels of assurance through our annual self-assessment survey. The Regulator of Social Housing conducted a full in depth assessment in March and April 2019. This focussed on areas of governance such as strategy and risk management and the outcome of V1 G1 is testament to the strength of Accent's approach in these areas. Each area is outlined below.

Strategic approach
The new committee structure that was established last year has proved to be effective. New non-executive members have brought additional skills to the Board and to committees that complement the skills of existing non-executive directors (NEDs) and ensure that the Board has the appropriate skill set to deliver our strategic objectives.

The corporate planning framework has successfully ensured coordination between strategy, financial planning, risk management and delivery of key objectives. Accent's strategic approach sets clear objectives that motivate and inspire our colleagues. Through 2020 we will be working to enable leaders and colleagues throughout the organisation to deliver our strategic objectives through building on a management culture that is focussed on outcomes for customers and is clear on the values that colleagues bring to the organisation.

Risk management
The Board has reviewed its risk appetite this year as outlined above in the risk section of this report. Following the Board's review of risk appetite, the Audit and Risk committee reviewed the three year internal audit plan to ensure that it is appropriately risk-based and will add value to the organisation's approach to governance, risk and controls.

During 2019-20, the Board and the Audit and Risk Committee have overseen the development, review and monitoring of not only the strategic risk register but also of specific risk registers to ensure effective mitigation of risks related to Brexit and the COVID-19 pandemic. Both of these external events have tested Accent's capacity to manage risk, to adapt to new situations and to respond to unforeseen events while at the same time maintaining delivery of key services. Building on the rigour and discipline of existing risk management and business continuity processes, Accent has withstood these events without adverse impact on customers, colleagues or partnering contractors.

Report of the Board (continued)

Controls
Performance scorecards aligned to the remit of the Board and each committee were introduced last year. These have led to improved scrutiny and additional insight from members with expertise and experience relevant to each performance area.

We are continuing to work on improving our ability to benchmark performance with other organisations and will be re-engaging with Housemark in 2020 to ensure insight and good practice sharing with other organisations. Awareness of our performance relative to that of others will enable us to focus efforts where improvement is needed and to drive a consistent performance management culture throughout the organisation.

Assurance
As discussed under the customer service heading, we have continued to increase the number of residents who are engaged with us and have strengthened their influence at strategic level by ensuring that the Customer Experience Committee receives regular assurance directly from residents via the work of our National Scrutiny Group. We will build on this work in the coming year and continue to ensure that residents' voices are heard, and listened to.

Our annual self-assessment concluded that Board reporting, internal and external audit work, the outcome of external reviews and, of course, the in-depth assessment from the Regulator all combined to deliver confidence in the depth and breadth of assurance information provided to the Board and its committees.

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

Co-operative and Community Benefit Society legislation requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. Under the Co-operative and Community Benefit Society legislation the Board 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 Board are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2018, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

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

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

Disclosure of information to auditor
At the date of making this report each of the Society's members, as set out on page 1, confirm the following:

- so far as each member is aware, there is no relevant information needed by the Society's auditors in connection with preparing their report of which the Society's auditors are unaware.
- each member has taken all the steps that they ought to have taken as a member in order to make themselves aware of any relevant information needed by the Society's auditors in connection with preparing their report and to establish that the Society's auditors are aware of that information.

Going concern
The Society's business activities and its current financial position are set out above in the Strategic Report and the Report of the Board. In preparing the financial statements on the going concern basis the Board considered the following:

- That the current budget, medium and long term financial forecasts, including pension obligations, demonstrate that the Society has sufficient resources to meet all liabilities as they fall due, for the foreseeable future and at least for the twelve months following approval of these accounts.

Report of the Board (continued)

Going concern (continued)

- Short term and medium term financial forecasts prepared in respect of the COVID-19 pandemic demonstrate that the Society has sufficient resources to meet all liabilities as they fall due for the foreseeable future and at least 12 months following approval of these accounts.
- Flexing and stress testing of long term financial forecasts prepared in response to the COVID-19 demonstrate appropriate and practical mitigations available to the Society should the pandemic lead to wider economic uncertainty. Stress tests included (but were not limited to) the consideration and impact of increased tenant arrears, increased void properties, exceptional expenditure, development delays and sales price fluctuation.
- That banking covenants and funders' requirements have been met and are forecast to be met going forward.
- That in the event of Brexit and in particular a disorderly Brexit the Society has sufficient liquid resources and suitable mitigating actions available in the short, medium and long term to manage the impact of increased inflation, increased interest rates and a significant decline in the housing market.
- That in the event the COVID-19 crisis endures for much of the next few months the Society has sufficient liquid resources and suitable mitigating actions available in the short, medium and long term to manage the impact on operational, development and financing activities.

Cashflow projections do not rely on Government support schemes. The primary reliance the Society has in respect of Government funding is attributable to rents and service charges settled through housing benefit. Appropriate stress testing has been undertaken to ensure that a variation in Government policy on such payments in response to COVID-19 can be accommodated within cash flow forecasts.

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 twelve months after the date on which the report and financial statements are signed. For this reason, the Board continues to adopt the going concern basis in the financial statements.

External auditor

A proposal to re-appoint Grant Thornton UK LLP, as auditor of the Society will be proposed at the Board's Accounts Approval Meeting.

The report of the Board was approved and authorised by the Board and signed on its behalf by:

Matthew Sugden
Secretary
8 July 2020

Independent auditor's report to the members of Accent Housing Limited

Opinion
We have audited the financial statements of Accent Housing Association (the 'society') for the year ended 31 March 2020, which comprise The Statement of Comprehensive Income and The Statement of Financial Position 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.

Emphasis of matter- property valuation
We draw attention to Note 1 to the financial statements, which describes the Board's basis for valuing housing properties and investment properties. Given the unknown future impact that COVID-19 might have on the social housing property market, the Board have concluded that less weight can be attached to previous market evidence for comparison purposes to inform opinions of value. Consequently, less certainty and a higher degree of caution should be attached to the Board's valuation than would normally be the case. Our opinion is not modified in respect of this matter

The impact of macro-economic uncertainties on our audit
Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company'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.

In our evaluation of the directors' conclusions, we considered the risks associated with the society's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

Independent auditor's report to the members of Accent Housing Limited (continued)

Conclusions relating to going concern (continued)
However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information
The board is responsible for the other information. The other information comprises the information included in the Report of the Board, set out on pages 20 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 Responsibilities of the Board set out on page 24, 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.

Michael Frankish
Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
8 July 2020
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Statement of comprehensive income
for the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Turnover	2	100,247	94,688
Cost of sales	2	(2,175)	(597)
Operating costs	2	(74,162)	(73,519)
Other income	2	-	2,325
OPERATING SURPLUS	2	23,910	22,897
Interest receivable and other income	5	805	449
Interest payable and financing costs	6	(27,240)	(14,913)
Movement in fair value of financial instruments	28	825	1,032
Decrease in valuation of housing properties	11	-	(14,314)
Reversal of previous decrease in valuation of housing properties	11	-	57,640
(DEFICIT) / SURPLUS FOR THE YEAR BEFORE TAXATION	9	(1,700)	52,791
Taxation on ordinary activities	10	-	-
(DEFICIT) / SURPLUS FOR THE YEAR AFTER TAXATION		(1,700)	52,791
Re-measurements – unrealised gain on revaluation of housing properties	11	-	44,337
Actuarial gain / (loss) in respect of Accent Group Pension Scheme	7	1,564	(3,732)
Actuarial gain / (loss) in respect of Social Housing Pension Scheme	7	2,585	(1,105)
Re-measurement of Social Housing Pension Scheme obligation	7	-	(1,123)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,449**	**91,168**

All amounts relate to continuing activities.

The accompanying notes on pages 31 to 65 form part of these financial statements.

The financial statements were approved and authorised by the Board on 8 July 2020 and were signed on its behalf by:

James Kelly

Tom Miskell
Chair

James Kelly
Member

Matthew Sugden
Secretary

Statement of changes in reserves
for the year ended 31 March 2020

	Revenue reserve £'000	Revaluation reserve £'000	Total £'000
Balance at 1 April 2018	148,726	118,345	267,071
Surplus for the year	52,791	-	52,791
Other comprehensive income for the year:			
Re-measurements - unrealised gain on revaluation of housing properties	-	44,337	44,337
Actuarial loss in respect of Accent Group Pension Scheme	(3,732)	-	(3,732)
Actuarial loss in respect of Social Housing Pension Scheme	(1,105)	-	(1,105)
Re-measurement of Social Housing Pension Scheme obligation	(1,123)	-	(1,123)
Transfer to / (from) revenue reserve – excess depreciation	2,323	(2,323)	-
Balance at 31 March 2019	197,880	160,359	358,239
Deficit for the year	(1,700)	-	(1,700)
Other comprehensive income for the year:			
Actuarial gain in respect of Accent Group Pension Scheme	1,564	-	1,564
Actuarial gain in respect of Social Housing Pension Scheme	2,585	-	2,585
Transfer to / (from) revenue reserve – excess depreciation	1,444	(1,444)	-
Balance at 31 March 2020	**201,773**	**158,915**	**360,688**

Statement of financial position
as at 31 March 2020

	Notes	2020 £'000	Restated* 2019 £'000
Tangible fixed assets			
Housing properties	11	701,446	676,198
Other tangible fixed assets	12	7,339	7,324
Investment properties	12	5,055	5,055
Long term investments	12	50	-
		713,890	688,577
Current assets			
Current asset investments	13	78,262	31,246
Properties held for sale	14	5,284	1,101
Debtors: due within one year	15	8,585	4,110
due after one year	15	3,372	1,560
Cash at bank held in constructive trust		3,298	3,207
Cash at bank and in hand		24,639	11,318
		123,440	52,542
Creditors: Amounts falling due within one year	16	(50,439)	(38,698)
Net current assets		73,001	13,844
Total assets less current liabilities		786,891	702,421
Creditors: Amounts falling due after more than one year	17	(398,019)	(310,303)
Net pensions liability	7	(28,184)	(33,879)
Total net assets		**360,688**	**358,239**
Capital and reserves			
Share capital	21	-	-
Revenue reserve		201,773	197,880
Revaluation reserve		158,915	160,359
Total reserves		**360,688**	**358,239**

The accompanying notes on pages 31 to 65 form part of these financial statements.

The financial statements were approved and authorised by the Board on 8 July 2020 and were signed on its behalf by:

T. M

Tom Miskell
Chair

James Kelly

James Kelly
Member

Matthew Sugden
Secretary

Notes to the financial statements

Legal status

The Society is a charitable society incorporated in England under the Co-operative and Community Benefit Societies Act 2014, registered society number 19229R, and registered with the Regulator of Social Housing (RSH), registered number LH1722.

1. Accounting policies

Basis of accounting and comparative amounts

The financial statements of the Society are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102) and the Housing SORP2018; Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

On 31 March 2020 the Society completed a Transfer of Engagements as provided for by the Co-operative and Community Benefit Societies Act 2014. On this date Accent Corporate Services Limited transferred all of its assets, liabilities and activity to the Society. The transfer has further strengthened Accent's governance, financial capacity and value for money position.

The transfer of engagements constitutes a public benefit entity combination that in substance is a gift under the Financial Reporting Standard 102 (FRS102) and the Housing SORP2018, hence merger accounting has not been applied and no comparative amounts have been required to be restated. All assets and liabilities transferred by Accent Corporate Services Limited to the Society were transferred at their fair value as at 31 March 2020.

The financial statements are prepared in Sterling (£).

The individual accounts of Accent Housing Limited have also adopted exemption from the requirement to present a statement of cash flows and related notes.

Significant judgements and estimates

The preparation of the financial statements requires management to make significant judgements and estimates concerning the future. The items in the financial statements where these judgements and estimates have a significant risk of causing a material adjustment to the carrying values of the assets and liabilities include:

<u>Significant management judgements</u>

- The Society has a number of bank loans, all of which have been classified as basic financial instruments under the definition given in section 11 of FRS 102. The assessment of certain loans and interest rate fixes as basic financial instruments requires judgement. Management have considered the terms of its loan agreements and concluded that they do meet the definition of a basic financial instrument and therefore are held at amortised cost.
- Subsidiary company Accent Capital PLC issued a bond in July 2019 which is traded on the London Stock Exchange. The funds raised were subsequently on-lent to the Society. The under-lying bond has been assessed against the criteria of section 11 of FRS102 and management are content that the terms of the intra-group debt also meet the definition of a basic financial instrument. As such the debt is held at amortised cost.
- The Society entered into an intra-group loan agreement and on-lent funds to Accent Homemade Limited during the year. The loan has been assessed against the criteria of section 11 of FRS102 and management are content that the terms of the debt meet the definition of a basic financial instrument. As such the debt is held at amortised cost.
- Capitalisation of property development costs and interest requires judgement to ensure amounts are only capitalised when it is more likely than not that a particular scheme is to continue, after this point schemes are monitored to identify if any impairment is required.
- Accent holds some properties as investments (housing properties which are rented out at market rent) and carries these at fair value. In accordance with FRS102 the fair value of these properties must be reviewed for reasonableness annually. Accent have undertaken this exercise by considering all relevant key assumptions associated with the valuation (discount rate and annual inflation) and are of the opinion that there has been no material movement in value since 31 March 2019 due to both rises and falls in the market over the last 12 months. The last formal revaluation of these properties was undertaken at 31 August 2018 for the year ended 31 March 2019. A joint statement by JLL and Savills to the sector, titled "EUV-SH and MV-T Valuations – Impact of COVID-19 Crisis" published on 29 April 2020, indicated MVSTT properties could see movements of 5-10% on their values as a result of COVID-19. A movement of this magnitude would not be considered material to Accent Housings position. It should be noted that this statement was not specific to Accent Housing and does not provide an opinion on Accent's specific situation. The bespoke

1. Accounting policies (continued)

Significant management judgements (continued)

work undertaken in respect of housing properties by Savills for Accent Housing specifically excluded a review of those assets held at MVSTT. As at the balance sheet date MVSTT valuations continue to carry a material uncertainty clause. Carrying value at 31 March 2020 £5.06m (2019 £5.06m). See note 12

- The useful economic life of housing components are reviewed on a regular basis to ensure that actual experience is not diverging significantly from the lives assumed in depreciation calculations. One potential early indicator of any divergence would be the amount written-off for components replaced beginning to grow in materiality. Evidence has shown that the amount written off has been declining in recent years and the expected 'norm' is around 5%-6% of the value of components replaced. In 2020 £0.80m of components were written off against capital works value of £13.45m – 5.9% (2019 4.44%). This is within expectations.
- Section 28 of FRS102 sets out the rules for accounting for defined benefit pension schemes. Accent operates two defined benefit schemes:
  - Accent Group Pension Scheme (AGPS) (open) and
  - Social Housing Pension Scheme DB (SHPS) (closed).
- For AGPS the scheme deficit has decreased by £2.79m to £26.52m, this is primarily as a result of; the changes to the scheme benefits introduced with effect from April 2019, market conditions in respect of discount rates and investment performance. Independent actuaries are employed by the Society to prepare the actuarial valuations and disclosures for the AGPS on an annual basis.
- For SHPS, from the year ended 31 March 2019, the Society has been able to identify its share of the scheme assets and scheme liabilities and therefore has applied defined benefit accounting from this date onwards. The scheme deficit included within the accounts as at 31 March 2020 is £1.67m reflecting an actuarial gain in the year of £2.59m. The Finance Team ran two scenarios from the SHPS actuaries' (The Pensions Trust - TPT) online valuation tool, one with the standing macro-economic assumptions provided by TPT and one with the AGPS assumptions. The resultant net pension liability varied by only £0.49m thus giving sufficient comfort over the figures included within the accounts.
- As part of the Society's continuous review of the performance of their assets, management consider any apparent triggers of impairment which may affect any properties, or schemes. Triggers may include increasing void losses suggesting longer term letting issues, government policy changes (such as rent cuts or housing benefit changes), significant damage or significant repair needs of a property or where the decision has been made to dispose of the properties. These factors are considered to be an indication of impairment. Where there is evidence of likely impairment due to a specific trigger or event or actual impairment, the fixed assets are reviewed and written down to the recoverable amount and any impairment losses are charged to the statement of comprehensive income.

As a result, we estimated the recoverable amount of the housing properties as follows:

- determined the level at which the recoverable amount is to be assessed (i.e. the asset level or cash-generating unit (CGU) level). The CGU level was determined to be an individual scheme
- estimated the recoverable amount of the cash-generating unit
- calculated the carrying amount of the cash-generating unit and
- compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

Based on this assessment, we calculated the Depreciated Replacement Cost (DRC) of each social housing property scheme to be the recoverable amount, using appropriate construction costs and land prices. Where the DRC is greater than the carrying amount, an impairment is taken to reduce the carrying amount to the DRC.

In the year to 31 March 2020 Stafford House, a medium rise building in Aldershot, Hampshire, was impaired by £0.28m due to plans to demolish the top floor of the building. This decision was taken as part of a wider review into cladding and fire stopping etc within the Stafford House building. It should be noted that the property does not have ACM type cladding material as part of its structure and is deemed safe for habitation.

In 2018/19 the Society impaired the carrying value of the Charlestown House office building following a RICS Redbook valuation. This was in response to an awareness of market values falling in the local area. No further impairment was considered necessary in the year to 31 March 2020.

The review of properties and impairment is undertaken every six months by management and reported to the Audit and Risk Committee and reflected in the monthly management accounts reported to the Board. This review also considers additions to Housing properties both in respect of Shared Ownership and Rented units. Properties held for sale are also considered in this review. Post year-end no diminution in value has been seen in respect of properties held for sale with completions progressing at expected values.

1. Accounting policies (continued)

Management estimates

- Housing properties continue to be carried at Existing Use Valuation - Social Housing (EUV-SH) and were last re-valued and reported as at 31 March 2019. Following the COVID-19 virus being declared a global pandemic on 11 March 2020 the Group re-considered the potential impact of the COVID-19 crisis on the valuation of housing properties, over and above the consideration that had been conducted prior to the pandemic announcement.

  Whilst the advent of COVID-19 was not considered to be a trigger that would require a full revaluation of the housing properties (as required by the Group's accounting policy and FRS102) it was recognised that further work should be conducted. This took the form of analysing the key variables imputed within the EUV-SH calculation and consulting with external valuers, Savills (UK) Limited, as to the extent to which COVID-19 may have affected those variables and in turn affected the valuation of housing properties.

  The key variables featuring in the EUV-SH calculation which were considered and reviewed were as follows:
  - Rental levels and increases
  - Property lettings turnover
  - Void and bad debt levels
  - Management costs
  - Repair, maintenance and improvement costs
  - Cost growth
  - Discount rate

  Following a detailed assessment of the potential impact on each key variable it was concluded that COVID-19 had not had a material significant effect on the valuation.

  The discount rate was considered by Savills to be one of the most sensitive variables, amongst the variables considered. Savills concluded that minimal movement in the rate was likely in respect of Accents Northern property stock (60% of properties) but a downwards movement of up to 0.25% was possible in some of the South (19% of properties) and in some of the East (21% of properties). In the South it was considered likely that any reduction in the discount rate (resulting in an upwards movement in property values) would be offset by an increase in repairs and maintenance costs. Several other variables would have to be considered together with the potential movement in the discount rate to assess the potential impact on the valuation of housing properties

  Savills (UK) Limited have also confirmed that had a revaluation been commissioned as at 31 March 2020 by the Group it would have been issued with the inclusion of a material uncertainty clause. In explaining the reasoning behind the material uncertainty disclosure Savills statement read:

  The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

  Market activity is being impacted in many sectors. As at the valuation date we consider that we can attach less weight to previous market evidence for comparison purposes to fully inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

  Our valuations reported at EUV-SH and MV-STT are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market we recommend that you keep the valuation of this property under frequent review.

  It has been confirmed by RICS that valuers were permitted to withdraw this clause, in respect of EUV-SH valuations due to evidence indicating no price chipping within the sector and strong investor interest. As such, with effect from 26 May 2020 any valuation issued would have carried a statement to that effect. See note 11.

  Given the unknown future impact that COVID-19 might have on the social housing property market and therefore the carrying value of housing properties at the balance sheet date, the Board have concluded that less weight can be attached to previous market evidence for comparison purposes to inform opinions of value. Consequently, less certainty – and a higher degree of caution – should be attached to the Board's valuation than would normally be the case. However, subsequent to the balance sheet date valuers issued a statement rescinding the requirement for a material uncertainty clause to be included in valuations, in accordance with RICS advice issued on 26 May 2020. As such the Board has concluded that COVID-19 has not had a material significant effect on the valuation of housing properties.

1. Accounting policies (continued)

Management estimates (continued)

- Depreciation estimates are based on the useful depreciable lives of each component of housing properties which in turn are reviewed at each reporting date and compared to actual experience to ensure the assumed lives remain appropriate. See note 11.
- The measurement of liabilities arising from participating in defined benefit pension schemes uses valuation techniques requiring judgement and estimates, in particular in relation to future salary increases, investment performance, mortality, discount rates and inflation rates. See note 7.
- Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices.
- Management consider a tenant's debt to be bad when there is virtual certainty it will not be paid. All bad debts written-off are charged to the statement of comprehensive income. A tenant's debt is considered to be doubtful when there is some uncertainty whether it will be paid. In this case a provision is created against the doubtful debt and a charge is made to the statement of comprehensive income. The judgement contained within the policy is the amount that is to be provided for annually. The approach taken is prudent, consistent and considered annually. At 31 March 2020 the provision for bad and doubtful debts was £2.4m (2019 £2.1m). Current and former tenant debt at 31 March 2020 was £4.5m (2019 £3.9m). Arrears have increased slightly year on year as Universal Credit continues to be rolled out across the country. Management have implemented additional income recovery strategies to mitigate this. No significant movement has been seen following the onset of COVID-19. See note 15.

A summary of the principal accounting policies is set out below:

Going concern

The Society's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. In preparing the financial statements on the going concern basis the Board considered the following:

- That the current budget, medium and long term financial forecasts (inclusive of pension obligations) demonstrate that the Society has sufficient resources to meet all liabilities as they fall due, for the foreseeable future and at least for the twelve months following approval of these accounts.
- That banking covenants and funders' requirements have been met and are forecast to be met going forward.
- That in the event of Brexit and in particular a disorderly Brexit the Society has sufficient liquid resources and suitable mitigating actions available in the short, medium and long term to manage the impact of increased inflation, increased interest rates and a significant decline in the housing market.
- That in the event the COVID-19 crisis endures for much of the next few months the Society has sufficient liquid resources and suitable mitigating actions available in the short, medium and long term to manage the impact on operational, development and financing activities.

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 twelve months after the date on which the report and financial statements are signed. For this reason, the Board continues to adopt the going concern basis in the financial statements.

Turnover

Turnover represents rental and service charge income receivable, first tranche shared ownership sales, finance lease income receivable, grants, management charges, and the value of goods and services supplied within the year. Turnover is recognised in the statement of comprehensive income on the following bases:

- Rent income is included in turnover for the period that the residents are in occupation of the property during the accounting period, as opposed to the date on which the rent is charged.
- Service charge income is recognised when service charge expenditure is incurred as this is the point at which the service has been performed.
- Capital grants receivable from Homes England when the housing properties concerned reach practical completion.
- Finance lease income is included for the period that the lessor has use of the building during the accounting period.
- Management charges and charges for services are included in income over the period for which the service is provided during the accounting period.
- Income from first tranche shared ownership sales is recognised at the point of legal completion of the sale.
- Non-social housing letting income is included in turnover for the period that the tenants are in occupation of the property during the accounting period, as opposed to the date on which the rent is charged.

1. Accounting policies (continued)

Revenue grants

Grants in respect of revenue expenditure are credited to the statement of comprehensive income in the same period as the expenditure to which they relate.

Supported housing projects managed by agencies

Supported housing grants are managed by the relevant Local Authority (LA). As the grants are paid to cover expenditure related to housing support they are only payable to the organisation that provides the support and is therefore contracted by the LA. It is the Agents that provide the support and the Society provides the housing management. The grants are paid direct to the Agents and the Society invoices on a monthly basis for its charges. The treatment of other income and expenditure in respect of projects depends on whether the Society carries the financial risk.

Where the Society carries the majority of the financial risk, for example, for losses from voids and arrears, all the project's income and expenditure is included in the statement of comprehensive income (see note 2). Where the agency carries the majority of the financial risk, the statement of comprehensive income includes only that income and expenditure which relates solely to the Society. Other income and expenditure of projects in this category is excluded from statement of comprehensive income.

Where the Society holds the support contract with the Supporting People Administering Authority and carries the financial risk, all the project’s income and expenditure is included in the Society’s statement of comprehensive income (see note 2). Where the agency holds the support contract with the Supporting People Administering Authority and carries the financial risk, the statement of comprehensive income includes only that income and expenditure which relates solely to the Society. Other income and expenditure of projects in this category is excluded from the Society’s statement of comprehensive income.

Value added tax

The Society charges value added tax (VAT) on some of its income and is able to recover only part of the VAT it incurs on expenditure. This irrecoverable VAT is a cost to the Society and consequently the financial statements include VAT to the extent that it is suffered by the Society and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

Tangible fixed assets and depreciation

<u>Housing properties and other properties held for letting</u>
Housing properties are properties held for the provision of social housing or to otherwise provide social benefit.

Housing properties held for letting; supported housing and housing for older people; and shared ownership properties are stated at existing use value for social housing (EUV-SH) less subsequent accumulated depreciation and accumulated impairment losses. Full revaluations of the properties are undertaken on a regular basis (currently every three years) in accordance with the requirements of the Statement of Recommended Practice for registered Social Housing Providers with additional valuations carried out where there are indications of a significant change in value. Management undertake a detailed and considered review of the indicators in years intervening full revaluations to ensure they are satisfied that there has been no material triggers impacting on the EUV-SH carrying value, from both a positive and negative perspective.

The difference between existing use value for social housing and depreciated historical cost is attributed to both the land and structure components as suggested by the Statement of Recommended Practice (SORP 2018) for Registered Social Housing Providers. All other components are stated at depreciated historical cost.

All housing properties are assumed to comprise several components which require periodic replacement and have substantially different useful economic lives. The components comprising a housing property are accounted for separately and are defined as follows:

- Roof covering
- Windows, doors and rainwater goods
- Bathroom
- Kitchen
- Heat source (boilers etc)
- Heat system (radiators etc)
- Electrical system
- Structure

1. Accounting policies (continued)

Housing properties and other properties held for letting (continued)

- External works
- Land

Housing properties under the course of construction are stated at cost. 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. Administration costs relating to development are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into its intended use.

Costs are transferred into completed housing properties when practical completion is achieved. Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the scheme will not be developed to completion.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover, the remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment. At the next subsequent revaluation the remaining element will be carried at valuation - existing use value for social housing (EUV-SH).

All housing properties are assumed to comprise several components which require periodic replacement and have substantially different useful economic lives. These components are accounted for separately and their historical cost is depreciated over their estimated useful economic lives as follows:

- 15 years – Heat source (boilers etc)
- 20 years – Kitchen
- 30 years – Windows, doors and rainwater goods; bathroom; heat system (radiators etc); electrical system; and external works
- 60 years – Roof covering
- 100 years – Structure
- Not depreciated – Land

Where components are replaced before they have been fully depreciated the remaining un-depreciated amount is charged to the statement of comprehensive income and disclosed as part of the depreciation charge for the period. In doing this the component is derecognised from the financial statements upon replacement. Replacement components are added to Housing Properties, stated at cost and depreciated over their useful economic life. The estimated useful economic lives are based on the Society's current experience of component replacement. The Society will continue to monitor and review the useful economic lives of all components and make revisions where material changes arise.

Where depreciation is charged on property held at valuation, an amount equal to the excess of depreciation on valuation over depreciation on historical cost less grant, is transferred from revaluation reserve to accumulated surplus.

Impairment – housing properties
Housing properties are subject to an annual impairment review and consideration given to whether an event triggering a potential impairment has occurred. Where indicators are identified an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the scheme is written down to its recoverable amount which is fair value less associated costs to sell. The resulting impairment is recognised as operating expenditure and is charged to the surplus before tax in the statement of comprehensive income. The reversal of an impairment loss is included in the statement of comprehensive income as a separate line within operating expenditure.

Social housing grant
Social housing grant receivable in respect of housing properties under construction is accrued by reference to whether a scheme has reached a trigger point at which a further tranche of social housing grant is payable to the Society. Where social housing grant receivable has not been received at the statement of financial position date, the amount due is included within debtors as social housing grant receivable. Where social housing grant is received relating to housing properties in the course of construction, the performance model of accounting is applied with the grant included within creditors until the housing properties concerned reach practical completion at which point the grant is released to turnover in the statement of comprehensive income.

1. Accounting policies (continued)

Social housing grant (continued)

Social housing grant received in advance is calculated by reference to the aggregate of all schemes in the social housing grant funded development programme. The amount of social housing grant in advance is the total social housing grant receivable in respect of housing units in development less the total costs capitalised in respect of those units.

Social housing grant can be recycled by the Society under certain conditions, if a property is sold, or if another relevant event takes place. Recycled grant can be used for projects approved by Homes England. The recycled grant may have to be repaid if certain conditions are not met or if re-investment is not committed within three years following the year of disposal then the grant becomes due for repayment. Until the grant is either re-invested or repaid it is included within current liabilities either within the disposal proceeds fund or the recycled capital grant fund. The amount repaid will be restricted to net proceeds of sale and subordinated behind any deemed private loans on the properties where appropriate. It is not the general intention of the Society to dispose of property except under the following circumstances:

- Where a tenant has exercised a right-to-buy or a right-to-acquire option;
- Where the property was specifically built for sale e.g. shared ownership or;
- Where rationalisation is carried out as part of the ongoing business of the Society.

Other grant
Other grants are also receivable from local authorities and other organisations and are held in creditors until the properties concerned reach practical completion. Grants in respect of revenue expenditure are credited to the statement of comprehensive income in the same period as the expenditure to which they relate.

Grants relating to other tangible fixed assets are treated as deferred income and released to the statement of comprehensive income over the expected useful lives of the assets concerned.

Other tangible fixed assets
Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged over the expected useful economic lives of the assets on the following bases:

Freehold offices	2% p.a. on cost
Leasehold offices	over the life of the lease
Services equipment	5% to 20% p.a. on cost
Office equipment, fixtures and fittings	20% p.a. on cost
Computer equipment and software	20% p.a. on cost
Leased equipment	over the life of the lease
Freehold land is not depreciated	

Impairment – freehold offices
Freehold offices are subject to an annual impairment review and consideration given to whether an event triggering a potential impairment has occurred. Where indicators are identified an assessment for impairment is undertaken comparing the freehold offices carrying amount to their recoverable amount. Where the carrying amount of an office is deemed to exceed its recoverable amount, the office is written down to its recoverable amount which is fair value less associated costs to sell. The resulting impairment is recognised as operating expenditure and is charged to the surplus before tax in the statement of comprehensive income. The reversal of an impairment loss is included in the statement of comprehensive income as a separate line within operating expenditure.

Investment properties

Investment properties consist of properties let at market rent, are measured at cost on initial recognition and subsequently at fair value at the year end. Fair value is determined through formal triennial external valuation or where triggers indicate a valuation may be appropriate. In intervening periods where no impairment triggers are apparent management judgement is used to assess the fair value of the assets. Changes in fair value are recognised in operating activities within the statement of comprehensive income. Depreciation is not provided.

Donated land

Land donated by local authorities and other government sources is added to cost at the fair value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the difference between fair value and consideration paid is treated as a non-monetary government grant and recognised in the statement of financial position as deferred income within liabilities. Where the donation is from a non-public source, the value of the donation is included as income.

1. Accounting policies (continued)

Donated land (continued)

On disposal of an asset for which non-monetary government grant was received by the Society any unamortised grant remaining within liabilities in the statement of financial position is derecognised and recognised as income in the statement of comprehensive income.

Capitalisation of interest and interest payable

Interest on capital specifically borrowed to finance a development is capitalised from the commencement of construction up to the time of practical completion of the scheme, unless there is a prolonged delay. Where schemes are not financed by specific facilities an appropriate proportion of the interest charged on the Society's overall borrowing is allocated to the cost of the scheme up to the date of practical completion. Other interest payable is charged to the statement of comprehensive income account in the year.

Capitalisation of maintenance

Any expenditure on an existing property that meets one of the following circumstances is capitalised into one of the housing property components:

- Replacement or restoration of a component of the property that has been previously treated separately for depreciation purposes and has been depreciated over its individual useful economic life.
- The economic benefits of the property have been enhanced in excess of the previously assessed standard of performance.
- A major overhaul or inspection of a property that restores the economic benefits of the property that have been consumed by the business and have already been reflected in depreciation.

Any expenditure on an existing property that does not replace a component or result in an enhancement to the economic benefits of that property is charged to the statement of comprehensive income.

Pension costs

The Society operates a defined benefit pension scheme, Accent Group Pension Scheme (AGPS) and participated in a funded multi-employer defined benefit scheme, the Social Housing Pension Scheme (SHPS-DB). In addition, the Society contributes to a money purchase scheme (Social Housing Pension Scheme (SHPS-DC), the Auto Enrolment option for staff) for those employees who are not members of the defined benefit scheme and the charge to the financial statements is based on contributions paid.

<u>Accent Group Pension Scheme (AGPS)</u>
Pension costs for AGPS are assessed in accordance with the advice of an independent qualified actuary. Costs include the regular cost of providing benefits, which it is intended should remain at a substantial level percentage of current and expected future earnings of the employees covered. Variations from the regular pension costs are spread evenly through the statement of comprehensive income over the average remaining service lives of current employees.

The assets associated with the AGPS are held separately from the assets of Accent Group Limited and its subsidiaries. The AGPS assets are measured using fair values. The Scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The deficit in respect of AGPS is recognised in full and presented on the face of the statement of financial position for each Group company participating in the scheme. The movement in the Scheme deficit charged or credited to either the operating surplus or the actuarial gain or loss reported on the face of the statement of comprehensive income. Past service costs are recognised in the current reporting period within the statement of comprehensive income. Interest is calculated on the net defined liability. Any re-measurements are reported in other comprehensive income. See note 7 for further details.

<u>Social Housing Pension Scheme (SHPS-DB)</u>
For the SHPS, the Society is able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and therefore has applied defined benefit accounting from this date onwards. FRS 102 Section 28 requires the difference on transition from defined contribution to defined benefit accounting to be presented separately in other comprehensive income. The Society early adopted the amendment made to Section 28 of FRS 102, as issued in May 2019 by the Financial Reporting Council, and therefore recognised the difference on transition to defined benefit accounting in the year ended 31 March 2019.

1. Accounting policies (continued)

Social Housing Pension Scheme (SHPS-DB) (continued)
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 net surplus or deficit is presented separately from other net assets on the statement of financial position. This has been recognised within the defined benefit pension liability on the face of the statement of financial position.

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. Re-measurements are reported in other comprehensive income. Refer to note 7 for more details.

Holiday pay accrual

Unused annual leave accrued by employees as a result of services provided in the period, and to which they are entitled to carry forward and use within the next 12 months, is recognised within accruals. The accrual amount is measured at the salary cost for the period of absence.

Sinking funds

Unutilised contributions to service charge sinking funds which are repayable to tenants or leaseholders or are intended to be reflected in reductions to future service charge contributions are recognised as a liability in the statement of financial position. Sinking funds are split between current and non-current based on budget expectations to realise expenditure.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Society. All other leases are classified as operating leases.

Finance lease liabilities are stated at the lower of fair value and minimum lease payments, determined at the lease inception. The finance charge in the statement of comprehensive income is derived by applying the effective interest method. Finance lease assets are stated at the gross amount receivable under the lease less related unearned income, and are included in debtors.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

Leases are subject to a periodic impairment review and consideration given to whether an event triggering a potential impairment has occurred. Where indicators are identified an assessment for impairment is undertaken comparing the lease carrying amount to the recoverable amount. Where the carrying amount of a lease is deemed to exceed its recoverable amount, the lease is written down to its recoverable amount. The resulting impairment is recognised as operating expenditure unless it is a reversal of a past revaluation surplus in which case it would be charged to the surplus before tax in the statement of comprehensive income.

Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in section 11 of FRS102 are accounted for under the amortised cost model.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit. At each year end, the instruments are revalued to fair value, with movements posted to the statement of comprehensive income. The Society has not applied hedge accounting for the financial instruments.

Loan issue costs

Loan issue costs on basic financial instruments are written off evenly over the life of the related funding. Loans are stated in the statement of financial position at the amount of the net proceeds after issue.

Indexation costs

Where finance agreements include a provision for the outstanding capital balance and the interest payable to be indexed in line with the Retail Prices Index or similar indices, the indexation increase for the year is charged in full to the statement of comprehensive income.

1. Accounting policies (continued)

Provisions

A provision is only recognised when; the Society has a present legal or constructive obligation as a result of past events, an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The amount recognised is the best estimate of the consideration required to settle the liability at the end of the reporting period, taking into account the risk and uncertainties surrounding the obligation. Where the time value of money is material, the amount expected to be required to settle the obligation is recognised at net present value. The unwinding of the net present value in each period is recognised in the statement of comprehensive income in the period to which it relates.

Revaluation reserve

Where the fair value of a property is in excess of its historical cost, a transfer from the income and expenditure reserve to the revaluation reserve is recorded. Subsequent transfers are made from the revaluation reserve to income and expenditure reserve and represent excess depreciation over and above the charge for the property at historical cost.

Debtors

Short term debtors are measured at the transaction price, less any impairment. Where deferral of payment terms have been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

Bad debts

A tenant's debt is considered to be bad when there is virtual certainty it will not be paid. All bad debts written-off are charged to the statement of comprehensive income. A tenant's debt is considered to be doubtful when there is some uncertainty whether it will be paid. In this case a provision is created against the doubtful debt and a charge is made to the statement of comprehensive income.

Properties for sale

Shared ownership first tranche sales, completed properties for outright sale, and property under construction are valued at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises materials, direct labour and direct development overheads.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term investments that are readily disposable liquid resources. They include some money market deposits, held for more than 24 hours that can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

Cash held on constructive trust

Cash held on behalf of development partners, leaseholders or other third parties is ring fenced in separate bank accounts and disclosed as cash held in constructive trust. The corresponding creditors are recognised in liabilities under notes 16 and 17.

Long term debtors

Long term debtors are those which fall due for repayment in more than one year at the balance sheet date. These debtors are measured at the transaction price less any impairment.

Liquidity and Interest Service Reserve Fund

Amounts ringfenced in respect of future interest payments on borrowings in accordance with the terms of the respective loans.

1. Accounting policies (continued)

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. Particulars of turnover, cost of sales, operating costs, operating surplus and disposal of property:

Society 2020	Turnover £'000	Other income £'000	Cost of sales £'000	Operating costs £'000	Operating surplus / (deficit)
Social housing lettings	90,617	-	-	(74,406)	16,211
Other social housing activities					
First tranche low cost home ownership sales	3,048	-	(2,175)	-	873
Grant received – newly completed properties	4,786	-	-	-	4,786
Gain on disposal of housing properties	-	-	-	684	684
Charges for support services	36	-	-	(171)	(135)
Current service cost and expenses – AGPS	-	-	-	(1,672)	(1,672)
Gain arising from changes to scheme benefits – AGPS	-	-	-	2,400	2,400
Expenses – SHPS	-	-	-	(12)	(12)
Other	664	-	-	(180)	484
Gift of net assets from Accent Corporate Services Limited on transfer of engagements	46	-	-	-	46
	8,580	-	(2,175)	1,049	7,454
Activities other than social housing activities					
Non-social letting activities	972	-	-	(805)	167
Other	74	-	-	-	74
	1,046	-	-	(805)	241
Gift aid donation received (from Group companies)	4	-	-	-	4
Operating surplus	**100,247**	**-**	**(2,175)**	**(74,162)**	**23,910**

Disposal of property	Proceeds £'000	Cost of disposal £'000	Grant recycled £'000	Gain on disposal £'000
Sale of housing properties	2,816	(1,862)	(511)	443
Sale of second and subsequent tranche sales	1,983	(1,189)	(553)	241
Gain on disposal of property	4,799	(3,051)	(1,064)	684

Society 2019	Turnover £'000	Other income £'000	Cost of sales £'000	Operating costs £'000	Operating surplus / (deficit)
Social housing lettings	89,923	-	-	(70,350)	19,573
Other social housing activities					
First tranche low cost home ownership sales	907	-	(597)	-	310
Grant received – newly completed properties	1,912	-	-	-	1,912
Gain on disposal of housing properties	-	-	-	605	605
Charges for support services	76	-	-	(155)	(79)
Current service cost and expenses – AGPS	-	-	-	(2,129)	(2,129)
Expenses – SHPS	-	-	-	(10)	(10)
Other	802	-	-	(139)	663
	3,697	-	(597)	(1,828)	1,272
Activities other than social housing activities					
Gain on revaluation of investment properties	-	2,325	-	-	2,325
Non-social letting activities	926	-	-	(451)	475
Other	141	-	-	(890)	(749)
	1,067	2,325	-	(1,341)	2,051
Gift aid donation received (from Group companies)	1	-	-	-	1
Operating surplus	**94,688**	**2,325**	**(597)**	**(73,519)**	**22,897**

Disposal of property	Proceeds £'000	Cost of disposal £'000	Grant recycled £'000	Gain on disposal £'000
Sale of housing properties	3,139	(2,142)	(963)	34
Sale of second and subsequent tranche sales	2,031	(1,132)	(328)	571
Gain on disposal of property	5,170	(3,274)	(1,291)	605

2. Particulars of income and expenditure from social housing lettings - (continued)

	General housing £'000	Supported housing and housing for older people £'000	Shared ownership £'000	Intermediate market rent £'000	2020 Total £'000	2019 Total £'000
Income						
Rent receivable	69,663	8,915	2,726	1,068	82,372	82,276
Service charge income	2,967	3,955	1,323	-	8,245	7,647
Turnover from social housing lettings	72,630	12,870	4,049	1,068	90,617	89,923
Expenditure						
Management	(14,198)	(2,515)	(804)	(208)	(17,725)	(18,811)
Service charge costs	(5,053)	(2,958)	(517)	(7)	(8,535)	(8,734)
Routine maintenance	(13,427)	(1,861)	(17)	(90)	(15,395)	(17,622)
Planned maintenance	(10,642)	(2,065)	(304)	(53)	(13,064)	(9,768)
Bad debts	(671)	(19)	2	2	(686)	(518)
Depreciation and write-off of replaced components	(13,005)	(765)	(388)	(237)	(14,395)	(12,710)
Impairment	-	-	(182)	(102)	(284)	-
Other costs	(3,918)	(244)	(95)	(65)	(4,322)	(2,187)
Operating costs on social housing lettings	(60,914)	(10,427)	(2,305)	(760)	(74,406)	(70,350)
Operating surplus on social housing lettings	11,716	2,443	1,744	308	16,211	19,573
Void losses	(543)	(162)	(42)	(18)	(765)	(761)

3. Accommodation in management

	Owned and directly managed by Accent Housing Number	Managed by Accent Housing on behalf of others Number	Owned by Accent Housing managed by others Number	2020 Total Number	2019 Total Number
Social housing					
General needs housing					
- Social rent	15,083	-	-	15,083	15,025
- Affordable rent	496	-	1	497	404
Supported housing	171	10	189	370	372
Housing for older people	1,821	-	-	1,821	1,895
Intermediate rent	164	4	-	168	159
Low cost home ownership *	881	-	-	881	880
Social leased homes **	1,081	-	-	1,081	1,062
Non-social housing					
Market rent	54	-	17	71	80
Leased housing	95	-	-	95	95
Managed freeholders	-	654	-	654	651
Total	**19,846**	**668**	**207**	**20,721**	**20,623**

Accent Housing Limited also owns and manages 880 (2019: 867) garages.

* where the purchaser has not acquired 100% of the equity (shared ownership)
** where the purchaser has acquired 100% of the equity but not the freehold

3. Accommodation under development (continued)

Social housing	**2020 Number**	**2019 Number**
General needs housing:		
Affordable rent	138	107
Low cost home ownership	52	74
	-----	-----
	190	181
	===	===

4. Employee information

Average monthly number of employees expressed as full time equivalents (based on contracted hours compared to our standard working week):

	2020 Number	**2019 Number**
Housing, support and care	303	293
Administration	104	118
Development	14	11
	-------	-------
	421	422
	====	====

	2020 £'000	**2019 £'000**
Staff costs:		
Wages and salaries	13,484	13,098
Social security costs	1,340	1,213
Other pension contributions SHPS Defined Contribution (note 7c)	212	117
Redundancy costs	131	877
Apprenticeship levy	54	49
	---------	---------
	15,221	15,354
	=====	=====

A salary sacrifice scheme is operated by the Society in order to mitigate national insurance costs.

The number of full time equivalent staff including executive directors whose remuneration for the period fell into the following bands is as follows:

	2020 Number	**2019 Number**
£60,000 - £69,999	3	2
£70,000 - £79,999	6	5
£80,000 - £89,999	4	4
£90,000 - £99,999	-	1
£100,000 - £109,999	1	-
£110,000 - £119,999	-	1
£120,000 - £129,999	1	1
£130,000 - £139,999	1	-
£140,000 - £149,999	1	-
£160,000 - £169,999	-	1
£170,000 - £179,999	1	-

The highest paid director as disclosed in note 8 is included within the bandings above.

5. Interest receivable and other income

	2020 £'000	**2019 £'000**
Interest receivable from term deposits and bank deposits	696	449
Interest receivable on loans to Group companies	109	-
	-------	-------
	805	449
	====	====

6. Interest payable and financing costs

	2020 £'000	2019 £'000
Interest payable on bank loans and overdrafts	8,422	6,936
Interest on loans with Group companies	5,653	7,198
Break costs	11,527	-
Amortisation of loan issue costs *	1,355	123
Finance lease interest	19	19
	26,976	14,276
Net interest cost – Accent Group Pension Scheme (note 7a)	710	705
Net interest cost – Social Housing Pension Scheme (note 7b)	101	90
Less: Capitalised interest (note 11)	(547)	(158)
	27,240	14,913
Interest rate used to determine the finance costs capitalised during the period	4.68%	4.54%

* Amortisation of loan issue costs includes accelerated costs of £1,232k associated with the break of borrowing concluded during July 2019.

7. Pension obligations

The net pension liability is comprised as follows.

	2020 £'000	2019 £'000
Accent Group Pension Scheme - AGPS	26,515	29,309
Social Housing Pension Scheme - SHPS	1,669	4,570
	28,184	33,879

The total amounts recognised in the statement of comprehensive income within operating surplus, financing costs or as an actuarial movement, are comprised as follows:

	2020 £'000	2019 £'000
Recognised in the statement of comprehensive income – operating surplus		
Credit in respect of Accent Group Pension Scheme	1,940	1,504
Credit in respect of Social Housing Pension Scheme	417	311
	2,357	1,815
Recognised in the statement of comprehensive income – financing costs		
Charge in respect of Accent Group Pension Scheme	(710)	(705)
Charge in respect of Social Housing Pension Scheme	(101)	(90)
	(811)	(795)
Recognised in the statement of comprehensive income – actuarial movement and re-measurement of obligation		
Credit / (charge) in respect of Accent Group Pension Scheme	1,564	(3,732)
Credit / (charge) in respect of Social Housing Pension Scheme	2,585	(1,105)
Re-measurement of Social Housing Pension Scheme obligation	-	(1,123)
	4,149	(5,960)
Total credit / (charge) recognised in the statement of comprehensive income	5,695	(4,940)

7a. Accent Group Pension Scheme (AGPS)

The Society operates a defined benefit pension scheme, Accent Group Pension Scheme (AGPS) a funded defined benefit scheme which was established on 1 July 1992 to provide retirement and death benefits for employees.

Pension costs for AGPS are assessed in accordance with the advice of an independent qualified actuary. Costs include the regular cost of providing benefits, which it is intended should remain at a substantial level percentage of current and expected future earnings of the employees covered. Variations from the regular pension costs

7. Pension obligations - (continued)

7a. Accent Group Pension Scheme (AGPS) (continued)

are spread evenly through the statement of comprehensive income over the average remaining service lives of current employees.

During the year and following a period of negotiation (based on appropriate actuarial and legal advice being received), agreement was reached with the Trustee Directors of AGPS to amend certain scheme benefits. The changes that have been implemented were designed to ensure the scheme remains fair, valuable to employees yet sustainable for the Society. Once the required consultation process with scheme members was concluded the following changes were implemented, by way of amendment to the scheme deed, with effect from 2 April 2019:

- A reduction in the accrual rate from 60^{ths} to 80^{ths} for future benefits built up on and from 6 April 2019 to 5 April 2023;
- A further reduction in the accrual rate to 90^{ths} for future benefits built up on and from 6 April 2023;
- A reduction in member contributions from 10% of salary to 7.5% of salary on and from 6 April 2019;
- A change to spouse's pensions so that they are calculated as 50% of the member's pension for service on and from 6 April 2019 onwards before 6 April ; and
- A change to use the Consumer Prices Index (CPI), instead of the Retail Prices Index (RPI) as the only measure of the inflation used to increase pensions before and after retirement on and from 6 April 2019.

During the year Accent Housing Limited paid regular contributions of £1,212k (2019: £1,533k) being 18.9% (2019: 28.4%) of pensionable salaries during the accounting period together with recovery plan payments of £nil (2019: £2,100k) and salary sacrifice. Employees' contributions were 7.5% (2019: 10%) of pensionable salaries. Employers' contributions payable for the year are charged to operating costs.

The Scheme assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The assets are measured using fair values and liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The deficit in respect of AGPS is recognised in full and presented on the face of the statement of financial position. The movement in the scheme deficit is split and charged or credited to either the operating surplus or the actuarial gain or loss reported on the face of the statement of comprehensive income. The assumptions adopted for FRS102 purposes and the results of the calculations are shown below.

The most recent actuarial valuation of the scheme as at 5 April 2017 has been updated by JLT Benefit Solutions Limited to 31 March 2019 to take account of the requirements of FRS102. This indicated that there was a deficit before deferred tax of £26,515k (2019: £29,309k when comparing the actuarial value of the scheme with the value of its liabilities.

Following the actuarial valuation of the Scheme as at 5 April 2017 Accent Housing agreed to pay contributions at the rate of 28.4% of pensionable salaries plus additional lump sum amounts of £1,000k rising at 10% per annum each year from 2018 until 2029. On 2 April 2019 following discussion with the Trustee of Accent Group Pension Scheme the Society signed a new deed to amend the employers contribution obligation for future years, the new rate is 18.9% of pensionable salaries. Lump sum payments remain unchanged. The 2017 valuation was conducted using a Projected Unit method. The main actuarial assumptions used in the valuation are:

Key financial assumptions	**31 March 2020 % pa**	**31 March 2019 % pa**
Discount rate	2.45	2.50
Rate of increase in pensions in payment (where capped at 5%)	2.50	3.40
Rate of increase in pensions in payment (where capped at 2.5%)	1.80	2.20
Rate of revaluation of deferred pensions	2.50	2.80
Rate of inflation (RPI)	2.90	3.60

Pensions in payment in respect of service from 6 April 1997 to 5 April 2005, and deferred pensions subject to statutory revaluation, have been assumed to increase between 2.5% and 2.9% p.a. Pensions in payment in respect of service after 5 April 2005 have been assumed to increase between 1.8% and 3.4% p.a. The mortality assumption adopted for the purposes of the calculations as at 31 March 2019 (and at 31 March 2018 where applicable) is as follows:

7. Pension obligations - (continued)

7a. Accent Group Pension Scheme (AGPS) (continued)

- Base table: 100% of S3PMA / S3PFA_M tables (2019: 100% of S2PxA).
- Future mortality improvements: CMI_2019 [1.25%; S=7.5] (2019: CMI_2017 [1.25%]).

Average life expectancies	**As at 31 March 2020 Years**	**As at 31 March 2019 Years**
Male age 65 at reporting date	22.1	22.0
Male age 65 at reporting date +20 years	23.4	23.4
Female age 65 at reporting date	23.8	23.9
Female age 65 at reporting date +20 years	25.3	25.4

Active members are assumed to retire at age 62 and deferred members at 60, or immediately in the case of such members already older than these ages. 80% (2019: 80%) of members are assumed to commute their benefits at retirement.

Amounts recognised in the statement of comprehensive income	**Year ended 31 March 2020 £'000**	**Year ended 31 March 2019 £'000**
Current service cost	1,465	1,862
Expenses	207	267
Interest cost	2,154	2,205
Interest income on Scheme assets	(1,444)	(1,500)
Gain arising from changes to scheme benefits	(2,400)	-
Total (credited) / charged to the statement of comprehensive income	(18)	2,834

Reconciliation of defined benefit obligation	**Year ended 31 March 2020 £'000**	**Year ended 31 March 2019 £'000**
Defined benefit obligation at beginning of year	86,990	80,984
Current service cost	1,465	1,862
Expenses	207	267
Interest cost	2,154	2,205
Contributions by Scheme members	469	528
Actuarial (gain) / loss	(4,856)	5,437
Benefits paid	(1,850)	(4,293)
Gain arising from changes to scheme benefits	(2,400)	-
Defined benefit obligation at end of year	82,179	86,990

Reconciliation of fair value of Scheme assets	**Year ended 31 March 2020 £'000**	**Year ended 31 March 2019 £'000**
Fair value of Scheme assets at beginning of year	57,681	54,608
Interest income on Scheme assets	1,444	1,500
Actuarial (loss) / gain	(3,292)	1,705
Contributions by the employer	1,212	3,633
Contributions by Scheme members	469	528
Benefits paid	(1,850)	(4,293)
Fair value of Scheme assets at end of year	55,664	57,681

7. Pension obligations - (continued)

7a. Accent Group Pension Scheme (AGPS) (continued)

Amounts recognised in the statement of financial position	**As at 31 March 2020 £'000**	**As at 31 March 2019 £'000**
Fair value of Scheme assets	55,664	57,681
Actuarial value of Scheme liabilities	(82,179)	(86,990)
Deficit in the Scheme	(26,515)	(29,309)

Analysis of assets	**As at 31 March 2020 £'000**	**As at 31 March 2019 £'000**
Equities	20,943	24,017
Diversified Growth Funds	18,482	17,964
Liability Driven Investment (LDI'S)	9,794	10,306
Cash	2,595	1,417
Property Funds	2,508	2,485
Insurance policies	1,342	1,492
	55,664	57,681

Assets as a percentage of total plan assets	**As at 31 March 2020 %**	**As at 31 March 2019 %**
Equities	37.6%	41.6%
Diversified Growth Funds	33.2%	31.1%
Liability Driven Investment (LDI'S)	17.6%	17.9%
Cash	4.7%	2.5%
Property Funds	4.5%	4.3%
Insurance policies	2.4%	2.6%

Analysis of return on assets	**Year ended 31 March 2020 £'000**	**Year ended 31 March 2019 £'000**
Interest income on Scheme assets	1,444	1,500
Actuarial (losses) / gains	(3,292)	1,705
Actual (loss) / return on assets	(1,848)	3,205

History of experience (losses) and gains	**Year ended 31 March 2020 £'000**	**Year ended 31 March 2019 £'000**
(Loss) / gain on Scheme assets	(3,292)	1,705
Experience gain on Scheme liabilities	1,189	81
Gain / (loss) on change in assumptions (financial and demographic)	3,667	(5,518)
Total actuarial gain / (loss) recognised in the statement of comprehensive income	1,564	(3,732)

7. Pension obligations - (continued)

7a. Accent Group Pension Scheme (AGPS) (continued)

Amounts for the current and previous periods are as follows

	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Present value of defined benefit obligation	(82,179)	(86,990)	(80,984)	(78,513)
Fair value of Scheme assets	55,664	57,681	54,608	52,806
Deficit on Scheme	(26,515)	(29,309)	(26,376)	(25,707)
Experience (losses) / gains on assets	(3,292)	1,705	(530)	5,793
Experience gains / (losses) on liabilities	1,189	81	(1,982)	2,014

The cumulative amount of actuarial losses recognised since the adoption of FRS17, and subsequently FRS102, is £15,919k (2019: £14,355k).

Sensitivity

The following table provides an indication of the sensitivity of the value of liabilities to changes in assumptions. The impact on the Statement of Comprehensive Income tends to be hard to predict.

Change	Impact on liabilities*
Decrease discount rate by 0.1% per annum	2% increase
Increase inflation linked assumptions by 0.1% per annum	2% increase (of inflation-linked liabilities)
Increase life expectancy by 1 year	2% increase

* Approximate, not scheme specific.

AGPS is not impacted by GMP equalisation or the McCloud pension ruling.

7b. Social Housing Pension Scheme (SHPS - DB)
Accent Group Limited participated in the Social Housing Pension Scheme (SHPS), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK. The SHPS scheme was closed to the Group's staff from 1 August 2016 and was contracted-out of the State Pension scheme until 5 April 2006. There are no longer any active members employed by the Society.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK. The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

The Scheme is classified as a 'last-man standing arrangement'. Therefore the 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.

On 1 April 2018, sufficient information became available for the association in respect of SHPS to account for its obligation on a defined benefit basis. This change on transition resulted in a re-measurement difference of £1,123k, which was recognised at the relevant date of application, on 1 April 2018, in other comprehensive income, was therefore reflected in the year ended 31 March 2019.

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 2020 by a qualified independent actuary.

The net defined benefit liability as at 31 March 2020 is £1,669k (2019: £4,570k).

7. Pension obligations - (continued)

7b. Social Housing Pension Scheme (SHPS - DB) (continued)

Key financial assumptions	**31 March 2020 % pa**	**31 March 2019 % pa**
Discount rate	2.38	2.30
Rate of inflation (RPI)	2.62	3.30
Rate of inflation (CPI)	1.62	2.30
Salary growth	2.62	3.30
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

Average life expectancies	**31 March 2020 Years**	**31 March 2019 Years**
The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:		
Male retiring in 2019	21.5	21.8
Female retiring in 2019	23.3	23.5
Male retiring in 2039	22.9	23.2
Female retiring in 2039	24.5	24.7

Amounts recognised in the statement of comprehensive income	**Year ended 31 March 2020 £'000**	**Year ended 31 March 2019 £'000**
Expenses	12	10
Interest cost	101	90
Total charged to the statement of comprehensive income (note 2 and note 6)	113	100

Reconciliation of defined benefit obligation	**Year ended 31 March 2020 £'000**	**Year ended 31 March 2019 £'000**
Defined benefit obligation at beginning of year	17,283	15,858
Expenses	12	10
Interest cost	394	402
Actuarial (gain) / loss due to Scheme experience	(140)	131
Actuarial (gain) / loss due to change in demographic assumptions	(152)	49
Actuarial (gain) / loss due to changes in financial assumptions	(2,057)	1,120
Benefits paid	(429)	(287)
Defined benefit obligation at end of year	14,911	17,283

Reconciliation of fair value of Scheme assets	**Year ended 31 March 2020 £'000**	**Year ended 31 March 2019 £'000**
Fair value of Scheme assets at beginning of year	12,713	12,172
Interest income on Scheme assets	293	312
Experience loss on plan assets (excluding amounts included in interest income)	236	195
Contributions by the employer	429	321
Benefits paid	(429)	(287)
Fair value of Scheme assets at end of year	13,242	12,713

7. Pension obligations - (continued)

7b. Social Housing Pension Scheme (SHPS DB) (continued)

Amounts recognised in the statement of financial position	**As at 31 March 2020 £'000**	**As at 31 March 2019 £'000**
Fair value of Scheme assets	13,242	12,713
Actuarial value of Scheme liabilities	(14,911)	(17,283)
Deficit in the Scheme	(1,669)	(4,570)

The impact of GMP equalisation for Accent Group Limited at 1 April 2019 was calculated to be 0.1% of liabilities, approximately £15k. This is reflected in the liability disclosed above.

Analysis of assets	**As at 31 March 2020 £'000**	**As at 31 March 2019 £'000**
Absolute Return	690	1,100
Alternative Risk Premia	926	733
Corporate Bonds	755	593
Credit Relative Value	363	233
Distressed Opportunities	255	231
Emerging Markets Debt	401	439
Fund of Hedge Funds	8	57
Global Equity	1,937	2,139
Infrastructure	986	667
Insurance-Linked Securities	407	365
Liability Driven Instrument	4,395	4,649
Liquid Credit	5	-
Long Lease Property	229	187
Net Current Assets	57	24
Opportunistic Illiquid Credit	320	-
Private Debt	267	171
Property	292	286
Risk Sharing	447	384
Secured Income	502	455
	13,242	12,713

Analysis of return on assets	**Year ended 31 March 2020 £'000**	**Year ended 31 March 2019 £'000**
Interest income on Scheme assets	293	312
Actuarial gains	236	195
Actual return on assets	529	507

History of experience gains and (losses)	**Year ended 31 March 2020 £'000**	**Year ended 31 March 2019 £'000**
Gains on Scheme assets	236	195
Experience gain / (loss) on Scheme liabilities	140	(131)
Gain / (loss) on change in assumptions (financial and demographic)	2,209	(1,169)
Total actuarial gain / (loss) recognised in the statement of comprehensive income	2,585	(1,105)

7. Pension obligations - (continued)

7b. Social Housing Pension Scheme (SHPS DB) (continued)

Amounts for the current and previous periods are as follows

	2020 £'000	2019 £'000
Present value of defined benefit obligation	(14,911)	(17,283)
Fair value of Scheme assets	13,242	12,713
Deficit on Scheme	(1,669)	(4,570)
Experience gains on assets	236	195
Experience gains / (losses) on liabilities	2,349	(1,300)

7c. Social Housing Pension Scheme (SHPS - DC)
The Society also participates in the defined contribution section of the Social Housing Pension Scheme (SHPS) with 218 (2019: 204) active members employed by the Society, this is the default Auto Enrolment scheme for staff. The regular pension contributions payable by the Society during the year were £212k (2019: £117k).

8. Board members, executive directors and key management personnel

Aggregate emoluments paid during the year

	2020 £'000	2019 £'000
Executive directors		
- remuneration	656	630
- benefits in kind	25	27
- pension contributions	120	147
	801	804

	2020 £'000	2019 £'000
Executive directors and senior management team		
- remuneration	1,743	1,331
- redundancy	10	33
- benefits in kind	97	85
- employers NIC	219	181
- pension contributions	318	373
	2,387	2,003

	2020 £'000	2019 £'000
Board members – including employers national insurance contributions	157	119

	2020 £'000	2019 £'000
Emoluments of the highest paid director (co-opted executive director) during the year excluding pension contributions and employers national insurance contributions and including car allowance	172	169

The same group of non-executive directors are appointed to each of the following companies; Accent Group Limited and Accent Housing Limited. All directors are remunerated by Accent Housing Limited and their emoluments are disclosed in these financial statements. All of the executive directors that served during the year to 31 March 2020 are members of the Accent Group Pension Scheme. There were no other benefits or special pension arrangements for the co-opted executive director or executive directors or for any Board member.

The highest paid co-opted executive director (the Group Chief Executive) is a member of Accent Group Pension Scheme, which is a defined benefit scheme. He is an ordinary member of the pension scheme and no enhanced or special terms applied. The organisation does not make any further contributions to an individual pension arrangement for the Group Chief Executive. During the year to 31 March 2020 the Group Chief Executive received a salary of £167k (2019: £164k) and car allowance of £5k (2019: £5k). No bonus was paid or accrued to the Group Chief Executive during the year to 31 March 2020 (2019: £nil).

8. Board members, executive directors and key management personnel (continued)

The remuneration of key personnel is disclosed in aggregate in the consolidated accounts of the parent company Accent Group Limited, a charitable registered society No. 30444R.

9. Surplus on ordinary activities before taxation

	2020 £'000	2019 £'000
Surplus on ordinary activities before taxation is stated after charging:		
Depreciation of fixed assets and write off of replaced assets – housing	14,404	12,723
Depreciation of fixed assets – other	743	748
Impairment of housing properties	284	-
Impairment of office premises	-	588
Auditors' remuneration (excluding VAT):		
- In respect of audit services	127	66
- In respect of other accountancy services	3	16
Community dividend	1	25
Operating lease rentals:		
- Plant and machinery	82	105
- Land and buildings	181	161
Bad debts:		
- Current residents	207	134
- Former residents	477	386
- Other debtors	58	71

10. Taxation on ordinary activities

	2020 £'000	2019 £'000
<u>Current tax</u>		
UK corporation tax on surplus for the year	-	-
Total current tax	-	-

Factors affecting tax charge for period

The tax assessed is lower than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
(Deficit)/ surplus on ordinary activities before tax	(1,416)	52,791
Adjustment in respect of charitable activities	1,416	(52,791)
Surplus on ordinary activities subject to tax	-	-

The Society has charitable status. The surplus generated is exempt from the charge to corporation tax in accordance with the provision of S505 ICTA 1988.

11. Tangible fixed assets – housing properties

	Housing properties held for letting £'000	Housing properties under construction £'000	Shared ownership housing properties £'000	Supported housing and housing for older people £'000	Intermediate market rent £'000	Total housing properties £'000
Cost or valuation						
At 1 April 2019	555,979	7,481	55,327	53,799	11,170	683,756
Schemes completed	11,677	(23,449)	11,772	-	-	-
Additions	-	28,297	-	-	-	28,297
Transfer from Accent Corporate Services Limited	-	-	45	-	-	45
Work to existing properties	12,413	-	5	1,001	31	13,450
Write off replaced assets	(818)	-	(1)	(60)	(29)	(908)
Disposals	(630)	-	(1,280)	-	-	(1,910)
At 31 March 2020	**578,621**	**12,329**	**65,868**	**54,740**	**11,172**	**722,730**
Depreciation						
At 1 April 2019	(6,501)	-	(561)	(416)	(80)	(7,558)
Charge for year	(11,733)	-	(461)	(1,192)	(215)	(13,601)
Impairment	-	-	(182)	-	(102)	(284)
Write off replaced assets	99	-	-	5	1	105
Disposals	35	-	19	-	-	54
At 31 March 2020	**(18,100)**	**-**	**(1,185)**	**(1,603)**	**(396)**	**(21,284)**
Net book value at 31 March 2020	**560,521**	**12,329**	**64,683**	**53,137**	**10,776**	**701,446**
Net book value at 31 March 2019	549,478	7,481	54,766	53,383	11,090	676,198

Included in the above are finance costs capitalised in the year of £547k (2019: £158k) (note 6).

The carrying value of the housing properties that would have been included in the financial statements had the assets been carried at historical cost less depreciation is as follows:

	2020 £'000	2019 £'000
Historical cost	949,218	921,940
Depreciation and impairment	(250,145)	(240,006)
	699,073	681,934

Housing properties book value net of depreciation	**2020 £'000**	**2019 £'000**
Freehold land and buildings	694,997	669,957
Long leasehold land and buildings	6,449	6,241
	701,446	676,198

Social housing grant	**2020 £'000**	**2019 £'000**
Capital grant	412,919	409,177
Revenue grant	1,264	1,264
	414,183	410,441

11. Tangible fixed assets – housing properties (continued)

Expenditure on works to existing properties	2020 £'000	2019 £'000
Amounts capitalised	13,450	9,563
Amounts charged to the statement of comprehensive income	13,057	9,768
	26,507	19,331

Housing properties owned by the Society held for letting and shared ownership were professionally independently valued by Savills (UK) Limited (the valuer) as at 31 August 2018 for the year ended 31 March 2019. This was undertaken in accordance with the RICS Appraisal and Valuation Standard (The Red Book) and in accordance with the current Guidance for Accounts Valuations for Registered Social Housing Providers contained in the SORP. The Board and management team consider that this valuation remains appropriate as at 31 March 2020.

The SORP expects that Housing Societies should value their assets for accounts purposes on the Existing Use Value - Social Housing ("EUV-SH") basis. In determining this valuation, the valuer made use of discounted cash flow methodology and key assumptions were made concerning the levels of future rents, the rate of turnover of existing tenants, the level of right to buy sales and the real discount rate.

In valuing housing properties, discounted cash flow methodology was adopted with key assumptions:

Discount rate (real) – 5.00% - 5.75% dependent on age of stock

Level of annual rent changes:
2018/19 to 2019/20 – 1% reduction p.a.
2020/21 onwards – CPI + 1% p.a.

Annual inflation rate, after first two years - 2% (cost growth assumptions)

The total stock valuation includes Shared Ownership and Investment Property portfolios; none of the revaluation reserve relates to Investment Properties. The Society would not be able to sell all the properties without repaying SHG from the proceeds of the sale, but SHG would be subordinated in favour of any deemed private loans charged on these properties.

Impairment
The Society considers individual schemes to be separate Cash Generating Units (CGU's) when assessing for impairment, in accordance with the requirements of FRS102 and SORP2018. A total impairment provision of £284k (2019: £nil) was made during the year to 31 March 2020 to reduce the carrying value of certain fixed asset and investment properties within the Society to their value in use, being the estimated recoverable amount. The provision was made in respect of three properties at Stafford House.
This valuation is considered to remain appropriate as at 31 March 2020, given the absence of any significant events or triggers for a change in the valuation of housing properties.

12. Other tangible fixed assets and investments

	Leasehold and freehold properties £'000	Plant vehicles and equipment £'000	Total £'000
Cost			
At 1 April 2019	6,284	10,506	16,790
Additions	-	758	758
Disposals	-	(37)	(37)
At 31 March 2020	**6,284**	**11,227**	**17,511**
Depreciation			
At 1 April 2019	(2,839)	(6,627)	(9,466)
Charge for year	(122)	(621)	(743)
Disposals	-	37	37
At 31 March 2020	**(2,961)**	**(7,211)**	**(10,172)**
Net book value at 31 March 2020	**3,323**	**4,016**	**7,339**
Net book value at 31 March 2019	3,445	3,879	7,324

Investment properties

	2020 £'000	2019 £'000
At 1 April	5,055	1,035
Transfer from housing properties	-	1,695
Revaluation movement	-	2,325
At 31 March	5,055	5,055

Investment properties owned by the Society held for letting were professionally independently valued by Savills (UK) Limited as at 31 August 2018 for the year ended 31 March 2019. This was a full valuation and was undertaken in accordance with the RICS Appraisal and Valuation Standard (The Red Book). At 31 March 2020 management considered the fair value of the investment properties in light of all known factors which may impact their value and concluded that the carrying value as reflected within the financial statements was reasonable.

Key assumptions include:

Key assumptions include:
Discount rate (real) – 5.00% - 5.75% dependent on age of stock
Annual inflation rate, after first two years - 2%

Investment in subsidiaries

Accent Housing Limited is the sole shareholder of subsidiary company Accent Homemade Limited (formerly PAN English Development Company Limited) and holds a £1 share.

Accent Housing Limited is the sole shareholder of subsidiary company Accent Capital PLC and holds 50,000 ordinary shares of £1 each; the shares have been partly paid at 25p per share.

Accent Housing Limited does not hold any shares in Domus Services Limited. However, it has effective control as the managing body is made up of executive directors/employees of Accent Housing Limited. In addition, the articles of association of Domus Services Limited extend further powers of control to the parent undertaking.

13. Current asset investments

	2020 £'000	2019 £'000
Housing loans security deposit	5	5
Money market deposits	78,257	31,241
	78,262	31,246

14. Properties for sale

	2020 £'000	2019 £'000
Shared ownership properties – completed	5,184	254
Shared ownership properties – under construction	-	333
Properties held for sale	100	514
	5,284	1,101

15. Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Rent and service charges receivable	4,504	3,892
Less: Provision for bad and doubtful debts	(2,416)	(2,133)
	2,088	1,759
Amounts due from Group companies	-	62
Loan due from Group companies	5,000	-
Net investment in finance leases	38	808
Prepayments and accrued income	580	546
Other debtors	879	935
	8,585	4,110

Included in debtors are £2,030k (2019: £1,890k) of arrears with payment plans which are outside normal payment terms. No discounting is provided for against this balance as the impact of discounting is not considered to be material.

	2020 £'000	2019 £'000
Amounts falling due after one year:		
Amounts due from Group companies	1,797	-
Loan due from Group companies	100	-
Net investment in finance leases	-	64
Liquidity and interest service reserve fund	1,156	1,144
Other long term debtors	319	352
	3,372	1,560

	2020 £'000	2019 £'000
Debtor analysis:		
In one year or less	8,585	4,110
Between one and two years	101	66
Between two and five years	1	1
After more than five years	3,270	1,493
	11,957	5,670

The net investment in finance leases represents accommodation for university students that has been constructed on behalf of certain education authorities. The Society acts as lessor, the land and buildings are leased to the appropriate third party on a long leasehold basis, payments for which are to be received evenly over a period of approximately 25 years. On termination of the leases, title to the land and buildings passes to the lessees for nil consideration. These schemes are financed by specific allocated loans. The underlying value of the net investment in finance leases is £38k (2019: £872k).

16. Creditors: Amounts falling due within one year

	2020 £'000	Restated* 2019 £'000
Loans (note 27)	20,374	4,557
Loans due to Group undertakings (note 27)	-	10,450
Loans financing finance lease debtors (note 27)	424	764
Financial liabilities measured at fair value	138	645
Finance lease creditor (note 27)	5	6
Trade creditors	779	3,019
Grant received in relation to properties under construction	2,801	1,260
Deferred grant income (note 18)	22	22
Recycled capital grant fund (note 19)	1,386	1,129
Disposal proceeds fund (note 20)	346	354
VAT	24	37
Other taxation and social security payable	362	325
Rent and service charges in advance	2,481	2,800
General accruals	4,891	3,779
Routine maintenance accruals	2,443	1,460
Home loss and decanting accruals	1,671	-
Housing properties and major work creditors	7,149	3,674
Loan interest accrual	1,107	2,641
Deferred income	1,121	529
Sinking funds	509	107
Other creditors	1,011	830
Amounts owed to Group companies	1,395	310
	50,439	38,698

17. Creditors: Amounts falling due after more than one year

	2020 £'000	Restated* 2019 £'000
Loans (note 27)	165,120	109,440
Loans due to Group undertakings (note 27)	220,480	188,875
Loan premiums	2,916	3,040
Financial liabilities measured at fair value	60	378
Loans financing finance lease debtors (note 27)	-	441
Finance lease creditors	87	93
Deferred grant income (note 18)	811	833
Recycled capital grant fund (note 19)	3,508	3,435
Sinking funds	5,666	5,790
Amounts owed to Group companies	38	-
	398,686	312,325
Capital instrument issue costs	(667)	(2,022)
	398,019	310,303

* The prior year comparators have been restated to reflect the split between current and non-current sinking fund creditors in accordance with the accounting policy (see note 1).

18. Deferred grant income

	2020 £'000	2019 £'000
At 1 April	855	877
Released to income in the year	(22)	(22)
Balance at 31 March	833	855

19. Recycled capital grant fund

	2020 £'000	2019 £'000
At 1 April	4,564	3,803
Grants recycled	1,024	1,300
Purchase / development of properties	(694)	(539)
Balance at 31 March	4,894	4,564
Grant due for repayment	1,386	1,129

£1,386k of Recycled capital grant fund (RCGF) is due for repayment. Discussions with Homes England are ongoing to agree the rollover of these funds. No repayment was requested in the year to March 2020.

20. Disposal proceeds fund

	2020 £'000	2019 £'000
At 1 April	354	437
Right to acquire discount	-	(83)
Utilisation of grant	(8)	-
Balance at 31 March	346	354
Grant due for repayment	346	169

£346k of disposal proceed fund (DPF) is due for repayment. Homes England have been approached regarding the rollover of these funds. No repayment was requested in the year to March 2020. Under the deregulatory measures applicable from 7 April 2017 inputs into the DPF regime have been abolished, however the balances accrued to this date must be used in accordance with the DPF requirements until at the latest, 6 April 2020.

21. Share capital – non equity - Society

	2020 £	2019 £
Allotted, issued and fully paid:		
At 1 April	7	7
Issued during the year	2	-
Surrendered during the year	(2)	-
At 31 March	7	7

Each member of the Board holds one share of £1 in the Society. Shareholders are entitled to vote at general meetings, but do not have any rights to receive dividends or distributions on a winding up.

22. Capital commitments

	2020 £'000	2019 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	29,061	9,704
Capital expenditure that has been authorised by the Board but has not yet been contracted for	74,975	10,596
	104,036	20,300

22. Capital commitments (continued)

	2020	2019
The above commitments are expected to generate Social Housing and other grants totalling:	£'000	£'000
In relation to expenditure contracted for but not provided for	(1,237)	(782)
In relation to expenditure authorised by the Board but not yet contracted for	(8,790)	-
	(10,027)	(782)

The remaining commitments of £94,009k (2019: £19,518k) are capable of being fully financed by the facilities in place. As at 31 March 2020 the Society had £102,896k (2019: £42,559k) on deposit to meet these commitments and had agreed unused facilities of £50,000k (2019: £60,000k).

23. Leasing commitments

The future minimum lease payments which the Society is committed to make are set out below. The operating leases relate to office and residential space, and office equipment. The finance lease relates to the office building at Camberley.

The Society's future minimum operating lease payments are as follows:

	2020 £'000	2019 £'000
Within one year	133	236
One to five years	191	490
Beyond five years	14	78
	338	804

The Society's future minimum finance lease payments are as follows:

	2020 £'000	2019 £'000
Within one year	25	25
Between one and five years	101	101
Greater than five years	1,966	1,991
	2,092	2,117

24. Related parties

The Chair (T Miskell) is the Chair of the Northern Housing Consortium Limited (NHC), a body that represents the interests of the housing sector. Accent Housing Limited has traded with the NHC during the year. Services bought during the year amounted to £11,036 (2019: £8,786) relating to membership fees and training. There was £nil (2019: £nil) due from Accent Housing Limited to NHC as at 31 March 2020. Financial Statements for Northern Housing Consortium Limited can be obtained from Loftus House, Colima Avenue, Sunderland Enterprise Park, Sunderland. SR5 3XB.

T Miskell is also the Vice Chair of Johnnie Johnson Housing Trust Limited (JJHT), a not for profit housing association offering homes and independent living. Accent Housing Limited has traded with JJHT during the year. Services bought during the year amounted to £106,604 (2019: £97,728) relating to alarm monitoring services. There was £8,802 (2019: £82) due from Accent Housing Limited to JJHT as at 31 March 2020. Services sold to JJHT during the year amounted to £7,489 (2019: £5,411) relating to programme management services. There was £9,292 (2019: £1,804) due to Accent Housing Limited from JJHT as at 31 March 2020. Financial Statements for Johnnie Johnson Housing Trust Limited can be obtained from Astra House, Spinners Lane, Poynton, Cheshire. SK12 1GA.

R Wilkinson a Board member is also a resident. His leasehold agreement is on normal commercial terms and he is not able to use his position to his advantage. During the period since his appointment on 1 October 2019 Accent Housing Limited has received service charges of £558. At the 31 March 2020 there was £nil due from R Wilkinson.

24. Related parties (continued)

Board member M Punyer who resigned on 3 July 2019 is the Chair of the Central Housing Investment Consortium Limited (CHIC), a not for profit organisation offering maintenance procurement and management services for social housing. During the period to 3 July 2019 Accent Housing Limited traded with CHIC. Services bought during the period amounted to £32,828 (2019: £38,901) relating to gas servicing and cyclical decoration contracts. There was £nil (2019: £15,807) due from Accent Housing Limited to CHIC as at 31 March 2020. Financial Statements for Central Housing Investment Consortium Limited can be obtained from 84 Spencer Street, Birmingham. B18 6DS.

Transactions with Group companies that are wholly owned have been eliminated on consolidation and have taken advantage of the exemption from disclosure available under FRS102.

Accent Housing Limited had the following transactions with related parties during the year:

Accent Homemade Limited (formerly PAN English Development Company Limited)

	2020 £'000	2019 £'000
Received from related group entities:		
Management fee and supply of staff	220	294

	2020 £'000	2019 £'000
Paid to related group entities:		
Development costs	3,769	3,640
Management fee	230	249
	3,999	3,889

Accent Homemade Limited (formerly PAN English Development Company Limited) provides development services associated with the design and construction of new homes for Accent Group Limited and its subsidiaries. Development costs are charged in totality and management fess cover the provision of development services.

Domus Services Limited	2020 £'000	2019 £'000
Received from related group entities:		
Management fee	101	143

Domus Services Limited provides services for the collection of service charge income and management of related expenditure on behalf of leaseholders. The management fee is in respect of services rendered for the provision of service charge collection and management.

Accent Corporate Services Limited	2020 £'000	2019 £'000
Paid to related group entities:		
Interest	12,905	7,198
	12,905	7,198

The activities of Accent Corporate Services Limited were transferred to Accent Housing Limited under a Transfer of Engagements completed on 31 March 2020. Prior to that event Accent Corporate Services Limited provided a single low cost home ownership property managed by locally based teams within the Group and on-lent the amounts borrowed from Royal Bank of Scotland and Nationwide Building Society, to Accent Housing Limited. As part of ongoing Group financial restructuring lending from Royal Bank of Scotland of £76,925k to Accent Corporate Services Limited was repaid on 3 April 2019 and re-borrowed directly from Royal Bank of Scotland by Accent Housing Limited.

24. Related parties (continued)

Accent Capital PLC	**2020 £'000**	**2019 £'000**
Paid to related group entities:		
Interest	4,275	-
	4,275	-

On 18 July 2019 subsidiary company Accent Capital PLC issued a bond on the debt capital markets which the on-lent the funds to Accent Housing Limited.

Procurement For All Limited	**2020 £'000**	**2019 £'000**
Paid to related group entities:		
Membership fee	62	61

Procurement For All Limited provides services to its members securing value for money through joint procurement of capital and maintenance works.

Franklands Park Limited	**2020 £'000**	**2019 £'000**
Paid to related group entities:		
Service charge	99	34

Franklands Park Limited manages a single housing scheme Franklands Drive on behalf of joint owners Accent Housing Limited and Paragon Asra Housing Limited.

25. Statement of cash flows

The Society has taken advantage of the exemption available to it under FRS102 whereby it is not required to publish its own statement of cash flows. The financial statements of the Society's ultimate parent company, Accent Group Limited, contain a consolidated statement of cash flows.

26. Ultimate parent company

The ultimate parent company as at 31 March 2020 was Accent Group Limited, a charitable registered society No. 30444R under the Co-operative and Community Benefit Societies Act 2014, which is the largest and smallest group into which the results of the Society are consolidated. The registered office of Accent Group Limited, from where copies of the consolidated financial statements may be obtained, is Charlestown House, Acorn Park Industrial Estate, Charlestown, Shipley BD17 7SW.

27. Debt analysis

	2020 £'000	**2019 £'000**
Due within one year:		
Bank loans	20,374	4,557
Loans due to Group undertakings	-	10,450
Loans financing lease debtors	424	764
Finance lease creditors	5	6
Financial liabilities measured at fair value	138	645
	20,941	16,422

	2020 £'000	**2019 £'000**
Due after more than one year		
Bank loans	165,120	109,440
Loans due to Group undertakings	220,480	188,875
Loans financing lease debtors	-	441
Finance lease creditors	87	93
Financial liabilities measured at fair value	60	378
	385,747	299,227

27. Debt analysis (continued)

	2020 £'000	2019 £'000
Total loans repayable as follows:		
Within one year	20,803	15,777
Between one and two years	4,865	30,441
Between two and five years	36,123	45,156
After five years	344,699	223,252
Total indebtedness	**406,490**	**314,626**
Financial liabilities measured at fair value	198	1,023
	406,688	315,649

<u>Facilities, terms of repayment and interest rates</u>
At 31 March 2020 the Society had a facility with Royal Bank of Scotland of £76,075k (2019: £76,925k) which was fully utilised, and an unused revolving credit facility of £20,000k agreed on 3 April 2019.

The borrowing is secured by fixed charges on individual properties. The loan was originally made to Accent Corporate Services Limited which in turn on-lent to authorised Group subsidiary borrowers. As part of refinancing activity and to rationalise the Group structure, lending from Royal Bank of Scotland of £76,925k to Accent Corporate Services Limited was repaid on 3 April 2019 and re-borrowed directly from Royal Bank of Scotland by Accent Housing Limited on the same day on the same terms.

The loan is a mixture of fixed and variable rates. Fixed rates being plus a margin and variable rates being LIBOR (London Inter Bank Offer Rate) plus a margin, ranging from 0.35% for the term loan to 1.40% for the Revolving Credit Facility.

At 31 March 2020 the Society had a facility with Lloyds Bank of £102,000k (2019: £104,000k) of which £30,000k was unutilised (2019: £30,000k). The unutilised Revolving Credit Facility of £30,000k was agreed on 20 December 2018. The borrowings are secured by fixed charges on individual properties. The loans are a mixture of fixed and variable rates. Fixed rates being plus a margin and variable rates being LIBOR (London Inter Bank Offer Rate) plus a margin, ranging from 0.25% to 0.62%.

At 31 March 2020 the Society had a facility with The Housing Finance Corporation of £31,005k (2019: £34,188k) which was fully utilised. The borrowings are secured by fixed charges on individual properties and are repayable at varying rates of interest between 2.89% and 11.47%.

At 31 March 2020 the Society had a facility of £6,887k (2019: £7,014k) with Orchardbrook Limited. This loan is repayable on a fixed rate basis at 12.345% amortising until expiry in 2031.

Additionally the Group issued a thirty year bond, with a bullet repayment in July 2049, on the debt capital markets through a wholly owned subsidiary, Accent Capital PLC, which on-lent the entire funds to Accent Housing Limited. The bond was issued on 18 July 2019 at a coupon rate of 2.625% for £350m, of which £225m was sold and £125m retained for future sale. The bond, excluding the retained element, is fully secured on housing assets owned by Accent Housing Limited.

28. Financial assets and liabilities

	2020 £'000	2019 £'000
<u>Financial assets - categories</u>		
Financial assets measured at amortised cost	117,576	51,441
	117,576	51,441

Financial assets attract interest at a floating rate that varies with bank rates.

	2020 £'000	2019 £'000
<u>Financial liabilities - categories</u>		
Financial liabilities measured at amortised cost	443,439	343,432
Financial liabilities measured at fair value through surplus or deficit	198	1,023
	443,637	344,455

28. Financial assets and liabilities (continued)

	2020 £'000	2019 £'000
Financial liabilities - measured at fair value		
As at 1 April	1,023	2,055
Credit in statement of comprehensive income	(825)	(1,032)
As at 31 March	198	1,023

Financial liabilities measured at fair value relate to two interest rate fixes with Royal Bank of Scotland. The first instrument is for £10m which expired December 2019 and the second instrument is for £3.1m expiring shortly in December 2021. These instruments were entered into between December 1996 and April 1998 in order to fix the interest cost risk on part of the loan facility with Royal Bank of Scotland and were not entered into for trading or speculative purposes. The Society is/ was not required to place collateral with Royal Bank of Scotland to cover mark-to-market movements in relation to either of these instruments, which mitigates counterparty credit risk.

Financial liabilities – interest rate risk profile

The Society's financial liabilities are sterling denominated. The interest rate profile of the Group's financial liabilities as at 31 March 2020 was 86.2% fixed (2019: 66.5%) and 13.8% variable (2019: 33.5%) which is in line with the Group's Treasury Management Policy:

	2020 £'000	2019 £'000
Fixed rate	349,955	209,836
Variable rate	56,663	105,813
	406,618	315,649

The variable rate financial liabilities comprise bank loans that bear interest rates based on one and three month LIBOR. The fixed rate financial liabilities have a weighted average interest rate of 2.55% (2019: 4.79%) and the weighted average period for which it is fixed is 21.92 years (2019: 8.26 years).

Risks arising on financial instruments

The main risks arising from the Society's financial instruments are credit risk, liquidity risk, interest rate risk and market risk.

Credit risk

Credit risk is managed in accordance with the Board approved Treasury Management Policy, with security of amounts invested being more important than seeking the highest return. Surplus liquid funds are invested only with approved counterparties that meet minimum credit rating thresholds detailed in the Treasury Management Policy, with maximum exposure levels set for each counterparty.

Liquidity risk

Liquidity risk is managed in accordance with the Board approved Treasury Management Policy. The policy is to maintain sufficient cash to cover the next six months cash requirement and sufficient liquidity to cover the next 18 months liquidity requirement. Detailed cash flow forecasts are prepared to ensure compliance with its liquidity policy goals as well as the longer-term growth aspirations of the business.

Apart from its working capital and capital expenditure requirements, the nature of the Society's debt portfolio requires regular repayments of term loan principal and interest to certain lenders. The maturity profile of debt has been structured to reflect the long term nature of the assets and to achieve a balanced profile of scheduled repayments of loan principal. As at the 31 March 2020 84.5% (2019: 70.9%) of borrowings were due to mature in more than five years.

It is considered that the Society has sufficient financial resources to make these repayments, and therefore the risk of being unable to meet its financial obligations to these lenders is considered to be low.

Interest rate risk

Operations are financed through a mixture of generated cash flows, government grant for development activities and loan borrowings. The interest rate strategy is regularly reviewed and aims to achieve a conservative balance between fixed and variable debt at an acceptable level of risk and cost. Covenant compliance and sensitivity analysis of interest rates are monitored on a regular basis.

28. Financial assets and liabilities (continued)

Market risk
The treasury management function is responsible for developing and implementing an appropriate financial strategy to ensure the business holds the required level of liquidity to fund its capital investment programme and day to day operating activities. Close monitoring of financial covenants against the business plan to assess risk scenarios is completed on a regular basis.

Borrowing facilities
The Society has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent had been met were as follows:

	2020 £'000	2019 £'000
Expiring in more than two years	50,000 =====	60,000 =====

29. Contingent liability

There is the potential for Accent Group Limited to be liable for claims in respect of historical contracts relating to local improvement finance trust schemes (LIFT). Future claims in this regard cannot be discounted however the liability cannot be determined and all such claims will be examined on a case by case basis to establish if liability exists and to limit financial exposure with expert third party advice where appropriate.