Annual report and financial statements for the year ended 31 March 2019

settle

Co-Operative and Community Benefit Society Registration Number 30003R
(Registered with the Regulator of Social Housing Number L4370)

Shared ownership flats in Pelican Way, Letchworth Garden City

Our purpose is to help people who are struggling to find a place to live. We help our customers to stay in their homes comfortably, so that they can live the life they choose.

Contents

settle at a glance

At settle our purpose is to help people who are struggling to find a place to live. We help our customers to stay in their homes comfortably, so that they can live the life they choose.

Our values help shape our organisation and guide our decisions to make sure we achieve our purpose. We want colleagues to feel trusting, collaborative and proud and we know the business needs to be pioneering, bold and entrepreneurial to achieve our ambition and successfully deliver against our purpose.

As a proud provider of social housing, we own over 9,355 homes across Hertfordshire and Bedfordshire. The map below shows where the properties we own are located. Our homes are a mix of tenures with 7,370 general needs homes, 758 supported housing for older people, 113 temporary social housing homes, 334 shared ownership and 807 leased homes (including 205 ground rent properties).

Our growing development pipeline will ensure that we continue to play our part in helping people find a place to live. During 2018/19, we delivered an additional 123 homes across a range of tenures.

Our ambition is to develop at least 1,250 homes over the next five years with the aim that 90% of these are either affordable rent or shared ownership. As at the 31st March 2019, we already have 288 homes committed and in contract.

Our highlights

Financial key metrics

Fixed Assets
£384m

Operating Surplus
£21.1m

Group Turnover
£68.0m

Net Debt per Home
(including cash held)
£25.2k

Capital investment in
Existing Homes
£3.8m

Investment in New Homes
£27m

Operational performance

G1/V1
Rating Reaffirmed

Arrears of 2.55%

Average Void Turnaround
26 Days

123 New Homes

Colleague Trust Score
75%

Customer Trust
6.6
Effort Score
4.3

Chair's statement

A strong platform to grow

During 2018/19 we have been considering and responding to the challenges the whole sector faces – delivering more new homes, investing in existing properties and delivering good customer services. Our focus has been ensuring we have a business with the capacity and capability to meet all of these challenges. That focus means we are ending the year in a much stronger position ready to be a leading housing association in Hertfordshire and Bedfordshire, making our contribution to solving the housing crisis in the areas where we work.

Our purpose at settle is to help people who are struggling to find a place to live, for our customers to stay in their homes comfortably, so that they can live their lives they choose. Over the last 12 months, Universal Credit has been introduced in North Hertfordshire and we are particularly aware of the financial pressures this brings to people on benefits and low incomes living in our homes. Our provision of financial health checks for those going onto Universal Credit and the introduction of early intervention strategies to support those with low level arrears has been hugely successful for our customers and has enabled our arrears figure to remain low at 2.55%.

Having achieved our 2018/19 target of developing 123 new homes, the Board reassessed our development ambition setting a target of at least 1,250 homes over the next five years demonstrating our commitment to not just building more but building more homes that are genuinely affordable to people on low incomes. That has meant changing our development model to one primarily focussed on affordable tenures (90% affordable rent and shared ownership) with just 10% relating to outright market sale. I am very proud of our financial strength and the fact that we are well placed to be able to deliver our new ambition. As we ended the year, we had 288 homes under contract, with many more added to this in the early months of 2019/20.

The move to a more affordable mix of development growth reinforces our core values and maximises the way in which we can deliver our primary purpose as a charitable housing association. In last year's financial statements, I said that we would be investing further in our Executive and Leadership Team which I am pleased to say we have done. settle's senior management is now stable and well skilled. At Board level, we have made appointments during the year to strengthen Board capabilities, particularly across customer experience and development.

The voice of the customer is very important to the Board. Understanding what our customers look for, expect and desire from us is at the forefront of our homes and services. We want to be listening to and involving customers at all levels. We particularly want this to be looking to the whole customer base using technology to provide the conduit for feedback. As part of this, we have an established Customer Experience Advisory Panel; the members of which are a group of professionals from commercial sectors that have been carefully selected for their knowledge and expertise on customer experience. The role of the panel is to help shape, challenge and offer insight on changes and new approaches to how we engage, service and develop our services to customers and colleagues.

To date the members of the panel have helped us to look differently at customer complaints, improve our focus on Direct Debit collections and help us develop our thinking around digital services. As we look forward, we see real benefit in using the panel to provide us with ongoing challenge on our digital journey, embedding risk management throughout the organisation and how a great set of values and behaviours can guarantee a great customer outcome.

May 2019 was the first anniversary of our relaunch as settle and much has been done in this time to embed the settle culture into everything we do. We want our colleagues to feel trusting, proud and collaborative; and that we are bold, pioneering and entrepreneurial in order to achieve our purpose. It was pleasing to see that our annual Great Place to Work Survey saw the colleague trust score improve by 9% to 75%.

Further in this report, you will read more about our ambitions for the future. 2018/19 has put the building blocks in place for further growth and I and the Board look forward to delivering on our plans in the year ahead.

Martin Nurse
settle Chair

Strategic report

Looking forward

We have successfully developed a new strategy in the midst of the challenges presented by Brexit. It is difficult to recall a period with such political uncertainty and whatever the economic impact of the final resolution, determining the policy horizon is at best problematic. That said the housing crisis shows no sign of abating – recent reports from Shelter and the Office for National Statistics suggest an increased need for social housing with projections ranging from 90,000-155,000 per annum.

Regardless of the current turmoil, one thing that hasn't changed is our abiding commitment to social housing, to helping solve that housing crisis. Providing safe and secure housing that is genuinely affordable to people on low incomes, being a landlord that our customers can trust and balancing our investment in new and existing homes remain the fundamentals of our business. As we embark on the next five years we relish the challenge as we push ourselves to do more – to push the boundaries of what the Board, colleagues and partners can achieve together, today and tomorrow.

Delivering new homes

We recognise the important role we have to play in responding to the housing need in the areas we work – Hertfordshire and Bedfordshire. In the context of a housing crisis, we are committed to delivering at least 1,250 new homes over the next five years.

That commitment is about more than just numbers - we will build good quality, genuinely affordable homes, creating attractive places where people choose to live. For us, this means well planned, space-efficient homes for living, married with lower costs in use. We also want to provide products for the different groups struggling to find a place to live; people in work but on low incomes for example.

This is recognised through our increased production of shared ownership properties together with our emerging considerations of other products that will support the 'squeezed middle'. Our growth is coupled with substantial investment through active asset management, supported by a fully funded business plan that exercises us to perform efficiently.

In creating new homes, we recognise the important role we have in creating sustainable vibrant neighbourhoods which is why we view the regeneration of John Barker Place in Hitchin, Hertfordshire, as a key part of delivering on our corporate strategy. John Barker Place will be the first regeneration project settle has ever delivered – we view this as a huge opportunity to create a neighbourhood we and our customers can be proud of. We are committed to high quality customer engagement to ensure we create a neighbourhood that meets local needs of today and the future.

Running a good business

Ensuring a strong financial environment will continue to be an overriding element of our new strategy. We will move to a more robust medium - term financial planning cycle which will enable improved budget monitoring and forecasting to the Board and to senior leaders. Anticipated cost efficiencies and investments identified through value for money reviews will be built into the short and medium-term planning process.

We will be optimising our capacity through effective treasury management arrangements. During 2019/20 we will progress with our securitisation policy that will enable a simpler, more transparent approach to charging, freeing up security to be able to borrow significantly more finance to increase our delivery of new homes.

Progress will continue with our work on ensuring that we maximise our income collection for the services we deliver. This will involve reviewing the way in which we engage and share information with customers so there is greater clarity about what charges are for and why they may have increased. This will be a key theme as we develop our Customer Offer in anticipation of greater consumer regulation.

Underlying our approach to running the business is a strong governance framework that gives us the confidence to deliver more. This is not simply about risk management, or ensuring that our risk appetite statement underpins our approach to business activity; it is about being a regulated entity that has an effective internal control environment and the assurance that we are operating within our rules.

Delivering good services

Our approach to delivery of services will focus on customer choice – through a comprehensive, open relationship with customers where they are encouraged and invited to share their ideas and work with us to review and redesign services. Our approach to delivery of all services will create a distinct customer experience through the behaviour of our colleagues, knowing our customers better and supporting colleagues to feel able to make decisions and take accountability.

Our people

The delivery of our people strategy will also be vital in ensuring that we attract and retain a colleague base with the skills to push the boundaries on our ambition, to recruit and retain talent and to embed the culture that underpins the way we work at settle.

Our operating context

We are constantly reviewing the environment that settle is operating in and the potential changes and trends that will mature or emerge in the medium-term. A summary of the key changes are:

- Whatever happens to the grant funding regime we will continue to seek subsidy to ensure that we can address the issue of affordability.
- Following Grenfell, the Green Paper and the Hackitt Review, the regulatory focus is likely to intensify around building safety, openness and transparency and demonstrable forms of customer engagement in a shift away from the approach of recent years.
- Housing associations need to continue to be on the right side of the public debate about housing and homelessness. Trust and legitimacy are likely to rise in importance for customers and regulators. settle has focussed on work locally in partnership with stakeholders to respond to homelessness issues and will continue to do this.
- New market entrants, particularly for-profit providers, and Local Authority development vehicles, have the potential to disrupt the market and increase competition for development opportunities including s106 sites. We have confidence that through our local reputation for working with communities and the quality of the services we provide that we are well placed to meet these challenges.
- The Bank of England has signalled its willingness to use interest rate rises to counter inflationary pressures from potential higher prices as a result of Brexit.
- Online and digital service delivery are now ubiquitous and will create a strong demand from tenants for simpler, easier and a greater volume of digital transactions with settle.
- The contraction of state provision of services presents particular challenges in respect of isolation and help with work, childcare and social care. Alongside this, the increase in the number of older tenants will continue over the life of this plan and beyond.

Financial and operating review

Five-year summary

The five-year summary shows our long-term improving financial position. In the five years from 2015, our reserves have grown by 250%; our debt levels have reduced while our asset base increases and our core landlord business is cash generative. All of these key points ensure we are in an optimal place to underpin our ambitions outlined in our future strategy.

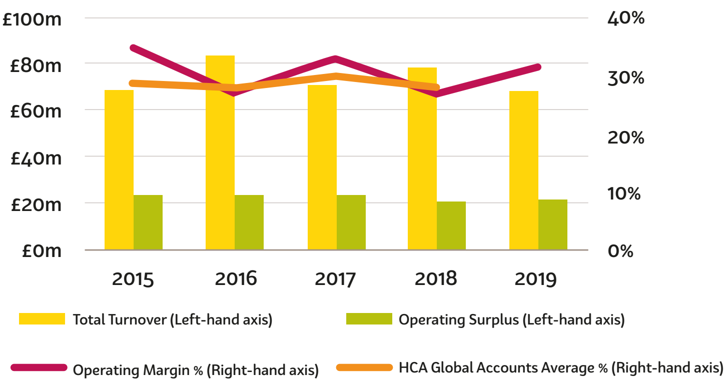
Consolidated Statement of Comprehensive Income	2015 £000's	2016 £000's	2017 £000's	2018 £000's	2019 £000's
Total Turnover	68,063	83,980	70,710	78,008	68,049
Turnover from lettings	50,515	51,519	52,114	51,858	51,762
Operating Surplus	23,405	22,538	23,042	20,286	21,136
Net Surplus	5,794	11,064	12,627	12,030	10,483
Total Comprehensive surplus/(deficit)	**-10,998**	**10,389**	**11,768**	**14,119**	**9,994**
Consolidated Statement of Financial Position					
Housing Properties, net of depreciation	353,240	361,110	355,666	356,446	369,398
Other Fixed Assets, net of depreciation	7,265	6,225	5,230	4,986	5,888
Investments	7,166	8,364	9,205	9,017	8,866
Total Fixed Assets, net of depreciation	**367,671**	**375,699**	**370,101**	**370,449**	**384,152**
Net Current Assets	**30,959**	**33,892**	**57,936**	**62,917**	**53,319**
Creditors (due over one year)	378,199	379,744	387,084	377,117	371,968
Pension Liability	1,951	978	316	1,492	753
Total Non-Current Liabilities	**380,150**	**380,722**	**387,400**	**378,609**	**372,721**
Total Net Assets	**18,480**	**28,869**	**40,637**	**54,756**	**64,750**
Reserves					
Revaluation/hedging	-31,103	-31,445	-33,067	-29,991	-31,376
Revenue	49,583	60,314	73,704	84,747	96,126
Total reserves	**18,480**	**28,869**	**40,637**	**54,756**	**64,750**
Total Funding included in creditors due over one year	287,632	285,636	287,636	283,136	278,636
Accommodation figures: Total properties at year end					
Social Housing	8,433	8,492	8,463	8,514	8,575
Non-Social Housing Units	3,481	3,491	3,498	3,769	3,701
Total	**11,914**	**11,983**	**11,961**	**12,283**	**12,276**

Over the last five years, operating surpluses have ranged between £21m and £23m, with our operating margin reaching 31.1% in 2019. This represents a consistently strong operating performance during a backdrop of economic and political uncertainty and is a key strength of settle as a business. Fundamental to this has been the delivery of our core social housing lettings activities which have maintained a strong performance in an operating environment of 1% reduction to social housing rents since 2015/16.

The increase in our asset base and subsequent reduction in gearing has been primarily funded through significant increases in our revenue reserves. This has been driven through a combination of a cash generative core business, development activity and some sale of low performing assets.
Long-term liabilities are detailed in the financial statements and reflect government grants, pension liabilities and the market value of financial instruments. The pension liability of £753k relates to our Local Government Pension Scheme which has been closed to new members since 2003.

The sections below provide a deeper analysis of the key financial elements of settle's business:

Turnover and surplus

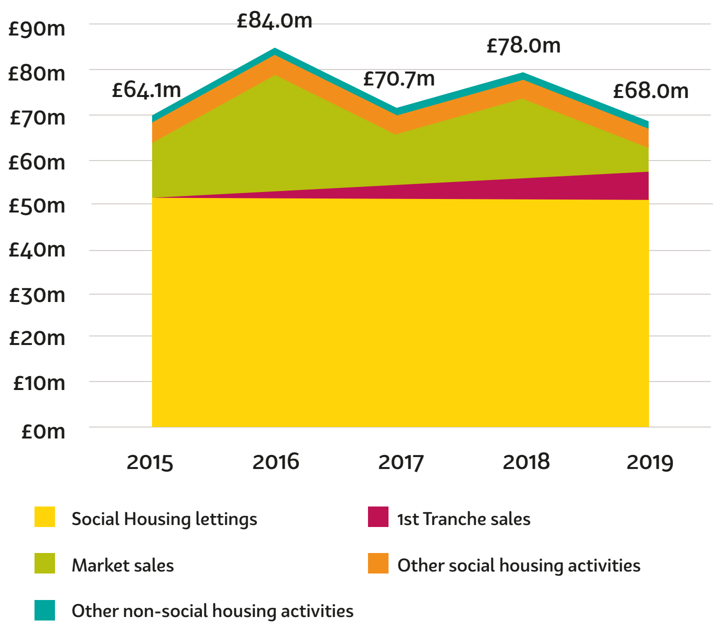


	2015	2016	2017	2018	2019
Total Turnover	£68.1m	£84.0m	£70.7m	£78.0m	£68.0m
Operating Surplus	£23.4m	£22.5m	£23.0m	£20.3m	£21.1m
Operating Margin	34.4%	26.8%	32.6%	26.7%	31.1%
Global Accounts Average	28.3%	27.6%	29.6%	27.6%	–

Our turnover for the five-year period to 2019, driven by a strong core social housing business, has performed robustly. Timings in terms of sales completions and varying levels of market sale are responsible for year-to-year variations.

Our operating margin has remained healthy throughout the period at an average of more than 30%.

Turnover breakdown



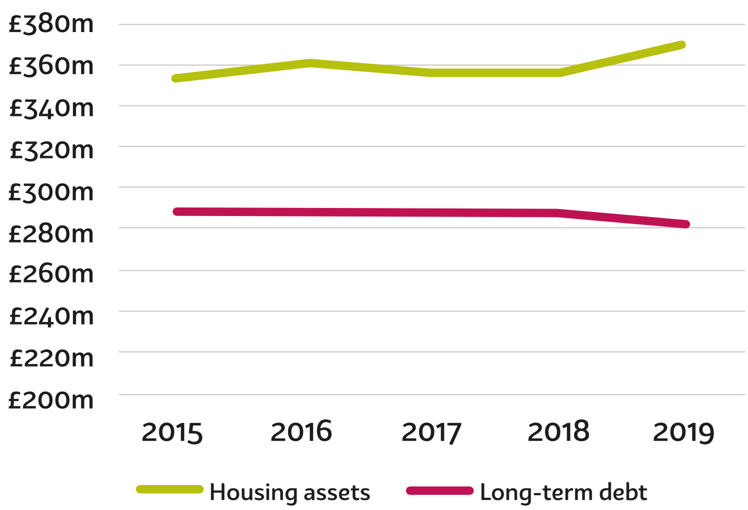
91% of our turnover in 2019 relates to social housing activity.

Social housing lettings remains our primary income stream, and performance has been stable despite the backdrop of the four-year rent reduction regime.

The reduction in total turnover in the last year is principally due to a fall in market sales revenue, arising as a direct consequence of a new development strategy that is moving away from market sales development.

	2015	2016	2017	2018	2019
Social Housing Lettings	£50.5m	£51.5m	£52.1m	£51.9m	£51.8m
1st tranche shared ownership	£0.4m	£1.9m	£2.8m	£4.6m	£6.5m
Other social housing activities	£4.0m	£3.8m	£3.7m	£4.0m	£2.4m
Other non-social housing activities	£0.5m	£0.4m	£0.6m	£0.5m	£1.9m
Market sale	£12.7m	£26.3m	£11.5m	£17.0m	£5.5m

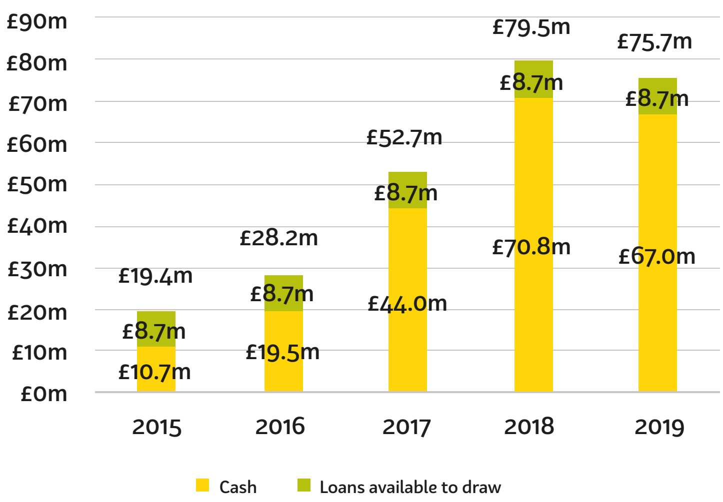
Assets and debt



	2015	2016	2017	2018	2019
Housing Assets	£353m	£361m	£356m	£356m	£369m
Drawn Debt	£288m	£288m	£288m	£288m	£283m

A reduction in long-term debt, coupled with an increasing asset base has led to a reduction in gearing throughout the period. This provides settle with opportunities to increase borrowing and expand our future development programme in line with our ambitious target of building 1,250 homes over the next five-year period.

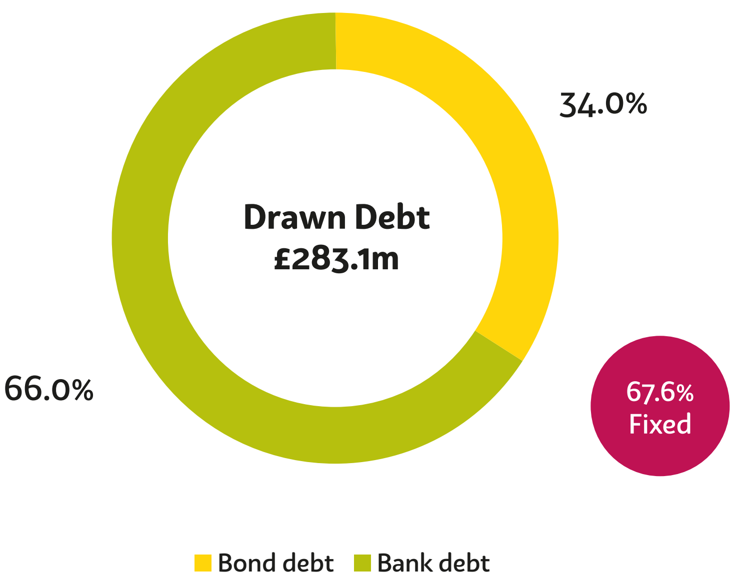
Liquidity



settle's treasury strategy includes strict liquidity targets to ensure that sufficient liquidity is in place to fund at least 18 months of future commitments. As at 31st March 2019, our liquidity headroom was £75.7m. This liquidity position is sufficient to ensure our committed developments are fully funded. We have the ability to borrow more and meet our increased development ambition.

Our loan covenants are predominantly based on interest coverage, gearing and asset cover. Covenant compliance are regularly reviewed throughout the year in accordance with our business planning framework and covenants were found to be comfortably met throughout the year.

Debt breakdown



settle currently has £283.1m of drawn debt, split between bank loans and bonds. The long-term nature of our debt portfolio ensures there is limited refinancing risk in the short to medium term.

67.6% of our portfolio is currently fixed by either stand-alone derivatives or fixed-rate bonds. This represents a comfortable mixture of interest rate management and flexibility within the debt to take advantage of potential fundraising opportunities.

Investment in existing assets

As our financial review demonstrated, settle is a business that is fundamentally focussed on affordable housing. Social housing remains the core component of the business; it represents 91% of our stock and 76% of Group turnover.

Therefore, being a good landlord is of huge importance to us and this means that we continue to invest in our existing stock. During the year, we invested £3.8m (2018: £2.7m) in maintaining and improving existing homes with a particular focus on new boilers (£944k), lifts (£122k), windows (£2.7m), and fire doors (£113k).

We are committed to undertaking regular stock condition surveys; 75% of our stock has been surveyed in the last two years. This helps us to ensure we have a robust understanding of the performance of our asset base, together with clarity on where future investment will need to be made in our stock. This allows us to forward plan our asset management work which in turn, can drive procurement efficiencies.

We have also worked with Savills to understand the likely cost of our asset management plan over the next 30 years and this has been fully funded in our long-term financial planning; emphasising the importance settle places on investing in our existing homes.

Service delivery

Over the last 12 months, Universal Credit has been introduced into the North Hertfordshire area, where 95% of our stock is located. By the end of the financial year, just under 500 customers had been moved onto Universal Credit. We have responded positively to this challenge by providing additional intensive support to those customers most likely to be affected by Universal Credit and engaging with those stakeholders our customers might turn to for advice or support about the benefit. At the end of year, our arrears figure was 2.55%, with temporary accommodation arrears at 2.35%; demonstrating the effectiveness of our approach to date.

Improving our turnaround time for void properties has been an important measure for settle during 2018/19 and this has seen an improvement from 27 days to 26 days; despite the numbers of voids increasing to 517 from 416 in the previous year.

Repair performance has also continued to improve over the course of the year, with the average day to complete a repair improving by 6 days to 26 days and 97% of these repairs were fixed first time.

The way in which we engage with customers is also key to settle. First contact resolutions within the customer service centre improved to 81% with work progressing on enhancing the scale of customer journeys that are accessible online.

Development and sales

During the year, we completed on 123 properties, all of which were affordable homes. Our evolving development strategy continues to focus very much on the provision of affordable homes.

Across our locality of Hertfordshire and Bedfordshire, demand for our shared ownership properties has remained high with average sales times of 89 days and first tranche shares averaging at 45%. This demand for shared ownership has helped to cross-subsidise the development of affordable, low-cost rented properties.

Work has progressed during the year to build our future development pipeline in order to meet our increased ambition of at least 1,250 homes over the next 5 years. During 2018/19, we have committed to an additional 340, demonstrating the head of steam that settle is generating.

People and culture

We launched our new brand, settle, in May 2018 along with a clearer purpose statement - we are here to help people who are struggling to find a place to live. We help our customers stay in their homes comfortably, so that they can live the life they choose.

Our colleagues are central to delivering these ambitions for our customers. Throughout the year we have continued to build the environment in which we can attract and retain talented people, who are able to achieve full potential in their roles. Our priority is to build a culture of trust, based around colleague engagement in which everyone is encouraged to speak freely and provide feedback, knowing that it will be acted upon to improve the services we deliver.

At the time of launching our new settle brand we restated our values: that we want settle to feel trusting, collaborative and proud; and that we need to be pioneering, bold and entrepreneurial. Throughout the year we have held engagement sessions with all colleagues working at every level of the business to ensure we are using these values to help shape our organisation and guide our decisions towards achieving our purpose. During the year we have also continued to develop our leadership team, establishing our 'settle leaders' group of all those who have people management responsibilities. We have focussed on improvements to specific areas of the business, in particular recruitment and new ways of working to strengthen our financial governance.

The past year has also seen us begin work that will be completed in 2019/20, including refurbishment of our Blackhorse Road office in Letchworth to provide a modern, collaborative workspace and Board approval for long-term investment to improve the rewards package we offer all colleagues.

Value for money

Value for money statement

In this section we set out our approach to value for money across our operations; demonstrating our commitment to provide good quality, efficient services as well as our compliance with the Regulator for Social Housing (RSH) value for money standard.

Our approach to value for money

To maximise our delivery against this purpose, we have four strategic objectives

- delivering more homes - playing our part in solving the crisis through the development of affordable homes across a range of tenures in our locality
- creating capacity - ensuring that we maximise our financial capacity whilst continuing to ensure that we remain stable and viable
- delivering good services - as part of creating flourishing neighbourhoods we need to respond to the needs of our changing customer base and deliver effective and efficient services and
- strong foundations - ensuring we appropriately invest in our people and our assets so that settle can continue to grow from firm foundations.

In recent years, our approach to value for money has been about how we effectively plan, manage and operate our business so that we maximise our resources in pursuing our purpose. It enables us to understand our core business costs whilst making sure any future activity or undertaking by settle is considered with a focus on value for money outcomes. Our risk assurance framework that is highlighted on page 36 of these statements enables us to manage the risks we take as effectively as possible.

We also embed value for money through key strands of activity across the business:

a. Good governance

We operate a clear scheme of delegation within our financial regulations and operating rules and have a clear approach for reporting financial decisions to our boards. The Audit and Risk Committee is responsible for in-depth examination of risk management and reviewing internal and external audit findings.

b. Financial management

Our financial management approach is set out in our operating rules and financial regulations. These include levels of financial delegation, our budget setting and variation processes and procurement limits. Annually, budget proposals are developed by the Executive Team and submitted to Board for approval. Budgets are set in line with the Group's 30-year business plan to ensure we deliver our objectives whilst meeting loan covenants and our treasury management 'golden rules'.

These golden rules set out that key investment decisions, for example, new developments and capital projects must be supported by a financial appraisal which details the return expected on investment. All budgets are monitored by the budget holder with variations from profiled expenditure scrutinised as well as any changes to projected out-turn.

c. Effective procurement

Our financial regulations outline the framework for achieving value for money when procuring goods and services, for example, tendering, e-procurement and assessment criteria including social value. A cross-business Procurement Panel is in place to ensure that procurement is undertaken appropriately.

d. Asset management

We operate an asset performance model to effectively manage our asset base at settle, which takes into account a series of cost and performance data around our stock. Reviews are undertaken to address under performing stock. Options would include reinvestment, change of tenure type or disposal. Any decisions are discussed at colleague-led groups before decisions are formally approved at Executive Team or Board depending on the scale of the proposal.

e. Customer insights and experience to drive good outcomes

We believe that a value for money customer experience is one that commands high trust with minimal effort to access the services we provide. We are committed to listening to our customers' views and designing and improving services as a result. Our internal culture of continuous improvement ensures colleagues understand what to consider when putting improvement ideas forward. We report on survey results and our sector benchmark position quarterly.

Our Customer Experience Advisory Panel is a group of customer experience professionals from a range of sectors who provide challenge and support about how settle can continually improve the service we deliver to our customers.

f. Performance management

Our Annual Delivery Plan outlines what actions are in place during the year to help meet our strategic objectives. Performance against objectives is monitored through key performance indicators presented to Board quarterly and to the Executive monthly. The key performance indicators are a balance of cost and outcome measures so that there is a comprehensive oversight of the economy, efficiency and effectiveness of services.

g. Risk management

A Risk Assurance Framework is in place that helps Board and senior management to identify the key risks facing the budget and the mitigations in place to reduce the scale of risk.

A fundamental aspect of good risk management is ensuring that we have a strong internal control environment in place. This includes ensuring clear policies and procedures are in place, these are currently being reviewed following the launch of the new settle brand, so that staff have clarity on how to carry out their role. We also have an internal audit programme in place that provides an independent review of the adequacy of our internal controls. Where appropriate, settle will also consult specialist services to review controls in more detail.

We conduct a regular review of our customer complaints and perform quarterly root cause analysis that is shared with our service leads. In understanding why things go wrong we can address the issues, minimise the risk of repeat and improve the services we provide.

h. Developing our people

We are developing a people and reward strategy to ensure settle is able to attract, recruit, develop and retain the right mix of talent, experience and competence to deliver our purpose and the experience we want our customers to have of settle.

To deliver value for money is an integral part of our corporate ethos and values. To do this we need to ensure that everybody at settle has the understanding and opportunity to make this a reality through our learning and development framework.

This approach has underpinned a cycle of service provision reviews to ascertain whether the appropriate balance of effectiveness, economy and efficiency is being achieved. Examples of this approach are summarised below.

Care

In 2018, we spent considerable time reviewing the Flexicare service we provided across five locations through a contract with Hertfordshire County Council. Delivering the level of service we would want to provide had meant that for some time we had been running the contract at a financial deficit. The analysis we undertook with our Board was underpinned by an independent viability exercise undertaken by Altair that reviewed possible ways forward in terms of this service provision.

Following review of all possible options, we took the decision with our Board not to renew our contract to provide the Flexicare service when our contact with Hertfordshire County Council was due for renewal in late 2018. We worked with Hertfordshire County Council and the new service provider to complete the transfer of service provision at the end of February 2019 and our contracts ceased from this time.

Office rationalisation

During 2018/19, work continued on rationalising our office accommodation. A decision was made at the beginning of the financial year to rationalise our office space and we continued to progress our long-held plans for all colleagues to be based from our Blackhorse Road office and to sell our second Letchworth office at Rowan House. This was completed in May 2019 and £50k of operational savings have been made through the rationalisation of office space with further expected efficiencies to be made in due course.

Review of the Direct Labour Organisation

A review was undertaken in early 2018 to look at the efficiency and effectiveness of settle's internal Direct Labour Organisation to assess whether or not it was the best approach for delivering our repairs service. The review looked at the cost of the service compared to an outsourced solution as well as the performance of the service. A report was presented to Board in March 2018 and a decision was made to maintain the DLO service to provide repairs.

Measuring performance

During 2018/19, we have measured our performance through a suite of performance indicators that have been approved by Board. The indicators have been selected as they are considered to be the lead indicators of delivery against our four strategic objectives and performance against them is reported back to Board every quarter. Targets are also agreed by Board and performance against them are presented on a quarterly basis.

A summary of the 2018/19 is in the tables opposite:

	Summary of 2018/19 Performance	
🟢	↑	Performance improving
🟠	↔	Performance staying about the same
🔴	↓	Performance declining

Creating Capacity				
	YTD	18/19 Target	Achieved	Trend from 17/18
Operating margin (Consolidated)	31.1%	35%	🔴	↑
Rent arrears	2.55% (HB 2.58%)	<2.55%	🟢	↓
Headline cost per unit	£3,818	£3,300	🔴	↓
Available funds (cash and loans)	£74m	> 18 months net cash (*)	🟠	↔
Average NPV of existing assets	£26k	£25k per unit	🟢	↔
Void rent loss	0.82%	0.68%	🔴	↓
Voids average turnaround time	26 days	21 days	🔴	↔

(*) This 2018/19 target is a golden rule held within settle's agreed Treasury Strategy

Delivering Homes				
	YTD	18/19 Target	Achieved	Trend from 17/18
No of homes delivered in year versus target	123	120 units	🟢	↑
Percentage of affordable homes delivered	100%	>60%	🟢	↔
Units in pipeline versus strategic plan target	78.5%	>125%	🔴	↔
Units developed as a % of units owned	1.40%	1.4%	🟢	↑

	Good services			
	YTD	18/19 Target	Achieved	Trend from 17/18
Customer Effort Score	4.3	Effort < 3.8	●	↔
Customer Trust Score	6.6	Trust > 7.7	●	↓
Total Social Value Return	£1,610,929	>£1.2m	●	↑
Landlord Compliance	Amber	Amber	●	↔
Average Days Non-emergency repairs	26 days	18 days	●	↑
% Emergency repairs completed in target	97.8%	>=98%	●	↔
First Contact Resolution	81.7%	>85%	●	↔

	Strengthening foundations			
	YTD	18/19 Target	Achieved	Trend from 17/18
Trust Index Score	75%	>75%	●	↑
Adequate Internal Audits	50%	67%	●	↔
Substantial Internal Audits	42%	33%	●	↑
Health and safety consolidated	Amber	Amber	●	↔
IT and systems consolidated	Amber	Amber	●	↔

More detail on each measure is shown in the tables on the following pages.

Creating capacity

Indicator	Operating margin (consolidated)
2017/18 Performance	26.7%
2018/19 Performance	31.1%
2018/19 Target	35%

Explanation – Whilst operating margin stayed broadly consistent during the year, the 35% target was not met. This was predominantly as a result of a conscious decision during the year to spend on additional professional fees to progress some strategic projects, such as developing our Pay and Rewards offer and our Asset Securitisation Project. It should also be noted that the operating margin is broadly in line with the national sector average as highlighted in the Sector Scorecard. It should be noted that this calculation will differ from the sector scorecard below, as the sector scorecard excludes profit on disposal.

Indicator	Rent arrears
2017/18 Performance	1.88%
2018/19 Performance	2.55% (Including Housing benefit 2.58%)
2018/19 Target	2.25% (April to September) 3.9% (October – December)

Explanation – During 2018/19, Universal Credit was introduced in North Hertfordshire, where the vast majority of our stock is located. By the end of the financial year, 487 of our residents had been moved onto Universal Credit. Like many housing associations, we have found that arrears levels have increased as residents get used to the responsibility of managing their rent payments. However, pro-active engagement with residents moving onto Universal Credit has helped ensure that the impact on our arrears levels has been relatively limited and within the targets set.

Indicator	Headline Cost per Unit
2017/18 Performance	£3,349
2018/19 Performance	£3,818
2018/19 Target	£3,300

Explanation – Headline Cost per Unit increased from 2017/18 to £3,818. This is made up of the following aspects:
Capitalised Repair Cost per Unit - £445 (increase by 42% from 2017/18);
Management Cost per Unit - £1,315 (increase by 10% from 2017/18);
Maintenance Cost per Unit - £989 (increase by 80% from 2017/18);
Service Charge Cost per Unit - £309 (decrease by 50% from 2017/18);
Other Costs per Unit - £760, this includes the water bill we recharge to tenants and neighbourhood services (increase by 12% from 2017/18);
Maintenance Cost per Unit has increased as a result of a planned increase in capital expenditure in 2018/19, notably on windows.
The agreed 2019/20 budget has set an overall cost per unit target of £3,899. Whilst this reflects a known increase in capital expenditure on our existing homes, Cost per Unit will be contained through overall cost control and efficiencies.

Indicator	Available funds (cash and loans)
2017/18 Performance	£80m
2018/19 Performance	£74m
2018/19 Target	N/A

Explanation – Whilst settle operations generated a net cash position of £29m during 2018/19, £23m of our available cash was used to fund our growing development pipeline and improve existing homes. As per the previous year, we still have £8.7m of uncommitted loans.

Indicator	Average net present value of existing assets
2017/18 Performance	£24k
2018/19 Performance	£26k
2018/19 Target	£25k

Explanation – Through taking a whole life approach to our assets, we have a target in place that ensures our stock provides a satisfactory value through its economic life. Performance of individual units is monitored on a regular basis and where performance is lower than the target NPV of £25k, work is undertaken to explore what measures could be taken, including asset disposal.
The NPV target will change on an annual basis and in 2019/20, value is affected by another year of rent reductions as well as the impact of the model being based on a continually higher level of stock condition surveys.

Indicator	Void loss
2017/18 Performance	0.68%
2018/19 Performance	0.82%
2018/19 Target	0.68%

Explanation – End of year performance was affected by properties awaiting disposal at the end of the year and therefore once excluding this, the year end performance would have been in line with target.

Indicator	Voids average turnaround time
2017/18 Performance	27 days
2018/19 Performance	26 days
2018/19 Target	21 days

Explanation – The year-end figure of 26 days is a small improvement on the previous year's performance but needs to be reflected in light of the increased void volumes.

The Void and Responsive Repair teams are working with the planned works department to schedule in kitchen and bathroom replacements post re-let, enabling the incoming customer to play an active role in the design and scope of the works. This will result in reduced times required to complete works. The move to daily lets will ensure that days are not lost when a property can be made available mid-week.

Delivering homes

Indicator	Number of homes delivered in year
2017/18 Performance	81
2018/19 Performance	123
2018/19 Target	120

Explanation – At a time when it is increasingly difficult for customers to access the local housing market, we need to play our part in building more homes to solve the chronic undersupply in homes. Measuring our contribution by completed homes in a year gives an objective way to demonstrate our contribution to this national challenge and to benchmark our delivery year on year.

Our target of 120 was a stepped increase from our outputs from 2017/18. Achieving the target reflects an active year for our development programme and our rounded approach to numbers, quality and affordability, to ensure we deliver homes where people can stay comfortably, to live the life they choose.

Indicator	Percentage of affordable homes delivered
2017/18 Performance	85%
2018/19 Performance	100%
2018/19 Target	>60%

Explanation – At settle, our development strategy has evolved. Recognising the shortage of affordable housing and the broader economic context in which we operate, we are transitioning from a programme with tenure mix of 67% affordable to 90% affordable. In previous years we have derived a significant amount of income from market sale properties and those funds have enabled us to deliver many much-needed homes. Our approach has changed over the last two years and our focus has been on trading out our sales programme rather than sustaining a sales pipeline.
This indicator therefore provides a barometer of our transition in development strategy and scale of engagement in market sale activity. Delivery of previously committed pipeline will continue and so we will continue to monitor accordingly.

Indicator	Units in pipeline versus strategic plan target
2017/18 Performance	Not measured in 2017/18
2018/19 Performance	78.5%
2018/19 Target	>125%

Explanation – During the 2018/19 year, we committed 295 plots to build, of which 47 were finished in the same year and the remainder sustain our forward programme. This indicator and the performance quoted relates to our 17-20 corporate strategy, while our acquisition and development activity continues beyond this.

Units in pipeline versus the 17-20 target of 480 has continued to be well below the 125% target, largely reflecting the time taken to populate the programme up to a rolling average of 160 homes a year, amplified by the typical build period for homes once committed. Conversely, the number of affordable homes to be delivered exceeds the 320 plan. This is now to be stretched to achieve increased growth ambitions of 1,250 homes over the 2019-24 period. By making the largest proportionate steps up to 250 homes a year in the early parts of the plan period, we build resilience to project delays and create capacity for further growth beyond the five-year plan. We will actively monitor the impact of recently approved revisions to hurdles and assumptions on our ability to compete on new business activities.

Indicator	Units developed as a % of units owned
2017/18 Performance	0.67%
2018/19 Performance	1.4%
2018/19 Target	1.4%

Explanation – We develop to:

- Provide much needed homes
- Optimise our contribution to solving local housing challenges
- Increase the number of homes we own into the long term

This indicator allows us to:

- Measure the delivery of new homes relative to the total size of the organisation
- Benchmark our growth against other developing Registered Providers

Good services

Indicator	Customer effort score
2017/18 Performance	4.2
2018/19 Performance	4.3
2018/19 Target	<3.8

Explanation – We know that having a convenient and reliable repairs service is one of the things that matters most of all to our residents. During the first quarter of 2019, the Repairs team have carried out an extensive exercise in consulting residents on the contents of the repairs policy. This has been a key milestone in understanding where greater satisfaction may be achieved through the delivery of this policy.
The time taken to complete works was also discussed as a driver in customer satisfaction. As a result, we are intending to run a pilot programme to enable settle to submit repairs work to local tradespeople. The goal is to improve the service received by our customers by reducing the time taken to complete repairs once reported.

Indicator	Customer trust score
2017/18 Performance	7.2
2018/19 Performance	6.6
2018/19 Target	>7.7

Explanation – The customer trust score has reduced from 7.2 to 6.6 percentage points driven by the fact we did not resolve things right first time in a sufficiently proportionate amount of time. Analysis of feedback shows how important it is that we get things right first time as the summary table below shows:

Right first time	Effort	Trust
Yes	2.8	8.0
No	7.2	3.6

Our real time surveys focus on colleague behaviour asking the customers whether we resolved the query first time and if we explained what would happen next. Our reporting allows us to see this per individual colleague. We have been working on establishing internal Service Level Agreements (SLA's) between teams and the Customer Service Centre to help make it easier for service centre colleagues to resolve queries at the first contact.

Indicator	Total social value return
2017/18 Performance	£1.1m
2018/19 Performance	£1.6m
2018/19 Target	>£1.2m

Explanation – We calculate our social value return using the HACT social value calculator, the largest bank of methodologically consistent values to measure the impact of activities from employment through to health. The methodology is now widely used across the housing sector.

In 2018/19, we achieved a total HACT value of £1.6m. This is mainly down to the high-quality support that has been provided by the Tenancy Support team and the life changing outcomes that have been achieved for some of our most vulnerable customers.

Indicator	Landlord compliance – consolidated score
2017/18 Performance	No consolidated score created in 2017/18
2018/19 Performance	Amber
2018/19 Target	Green

Explanation – Whilst overall performance in this area is positive (and compliance performance is shared with Board), the amber score is an issue arising from a failure to inspect lightning conductors. As a result of the low numbers overall this has a large impact on the percentage performance in this area.

- Overall Volume = 11
- Overdue = 7

All of these have since been completed.

Indicator	Average days non-emergency repairs
2017/18 Performance	32 days
2018/19 Performance	26 days
2018/19 Target	18 days

Explanation – Whilst performance has not met the target, there has been improvement in performance throughout the year against a deliberately stretching target for 2018/19. The end of year figure for 2017/18 was an average of 32 days to complete routine repairs; the end of year figure for 2018/19 is 26 days.
Progress in 2019/20 will be underpinned by an unremitting focus on the work in progress jobs which are outstanding. Furthermore in Quarter 1 in 2019/20, we will pilot initiatives that will use local providers to seek to expediate the delivery of certain repair types.

Indicator	% Emergency repairs completed in target time
2017/18 Performance	99%
2018/19 Performance	97.8%
2018/19 Target	>98%

Explanation – It is important to note that the performance in this area is significantly higher than the peer benchmark performance of 96%. At 97.8% the target of 98% was missed by less than 2 orders per month. The team monitor, through a real-time dashboard, all active emergencies, ensuring they are completed within the targeted time. Exception reporting on failures is carried out on a monthly basis.
All out-of-target emergency orders relate to door entry jobs. This contract is currently under review and a performance management framework is being put in place to manage this.

Indicator	First contact resolution
2017/18 Performance	81%
2018/19 Performance	81.7%
2018/19 Target	>85%

Explanation – Whilst there is an overall marginal improvement to first contact resolution from last year's 81% to this year's 81.7%, we have not achieved the target of 85%. Although there has been lots of work that has been carried out on internal SLAs to upskill and empower the Customer Service Centre to manage more queries at the first point of contact, analysis of performance reports and real-time surveys show there are still more things that could be resolved at first contact that are not. The new real time surveys are helping to better track this and understand performance.

Strengthening foundations

Indicator	Trust index score
2017/18 Performance	69%
2018/19 Performance	75%
2018/19 Target	75%

Explanation – Substantial work has been carried out in the year to further embed face to face colleague engagement. Examples of this include the brand launch where colleagues were involved in choosing the new name, restating our purpose and our ambitions to support our customers. Our Great Place to Work survey results show us that many colleagues are motivated by the social purpose of our work and the brand launch was an important reminder of this.

We have established regular sessions with the settle leaders group as well as specific colleague wide sessions; incorporating their involvement in devising our future five-year strategy. This approach has helped create a transparent environment in which colleagues feel free to speak and know that their feedback will be acted on.

Indicator	Internal audit reports – substantial
2017/18 Performance	25%
2018/19 Performance	42%
2018/19 Target	33%

Explanation – This performance has exceeded the target as a result of five internal audits receiving a substantial opinion compared to the target of three. Substantial audits were received in Anti-money Laundering, Budget Setting, Development, Stock Improvement and Asset Management, Treasury Management and Financial Planning. Four of the five substantial audits were undertaken in the last six months of the financial year, demonstrating the continual improvement in our internal control environment.

Indicator	Internal audit reports – adequate
2017/18 Performance	75%
2018/19 Performance	50%
2018/19 Target	67%

Explanation – This indicator shows a tale of two parts. Firstly, more audits returned a substantial assurance than the target. Conversely, one limited assurance report has adversely affected this indicator. Corrective action examined by a follow-up audit has redressed this error. Process improvements have been scrutinised through our internal audit tracker and reporting to the Audit and Risk Committee (ARC).

Indicator	Health and safety consolidated score
2017/18 Performance	Consolidated indicator not used.
2018/19 Performance	Amber
2018/19 Target	Green

Explanation – This indicator is generated through the consolidation of a range of figures. They include; accidents and incidents; near-miss observations; and RIDDOR reportable cases. There is a zero tolerance on this indicator so a single case in any of the above categories will result in the indicator becoming amber. During 2018/19, further embedding of Health and Safety reporting has seen an increase in reporting, particularly around near misses. This is to be welcomed as the increased reporting has enabled greater learning and process improvements. We are therefore comfortable with the 'amber' rating and grateful for the learning opportunities it provides.

Indicator	IT systems consolidated score
2017/18 Performance	Consolidated indicator not used.
2018/19 Performance	Amber
2018/19 Target	Green

Explanation – The consolidated IT systems score brings together a series of performance indicators identifying the robustness of settle's IT systems. An amber score was achieved largely as a result of targets not being achieved in the time taken to respond to stage two priority calls. Work has progressed during the last 12 months with our managed services provider to put arrangements in place to improve this performance. We have begun to see an improvement and expect this to continue throughout the 2019/20 financial year.

2018/19 Sector Scorecard metrics

settle also monitors its performance against the Sector Scorecard both in terms of its year on year performance and in comparison to other housing associations working in the locality. Performance is highlighted in the table below:

	2017/18 i	**2018/19**	2017/18 Global Accounts	2017/18 Global Accounts	2018/19 Locality
		Group	Regional benchmark ii	Locality average iii	Benchmark range iv
Business health					
Operating margin (social housing lettings) %	34.0%	**31.7%**	32.1%	36.2%	31.7% - 46.2%
Operating margin (overall) % Association only	24.4%	**29.5%**	28.9%	33.4%	26.8% - 44.2%
EBITDA MRI Interest Cover	220%	**209%**	206%	209.5%	181.0% - 240.3%
Development capacity and supply					
Gearing (housing properties at cost)	60.8%	**58.5%**	42.9%	61.2%	50.0% - 75.2%
New supply delivered (social housing units) %	1.0%	**1.4%**	1.2%	2.0%	1.3% - 3.4%
New supply delivered (non-social housing units) %	0.1%	**0.0%**	0.0%	0.1%	0.0% - 0.5%
Outcomes delivered					
Reinvestment % as percentage of housing stock cost	2.6%	**6.4%**	6.0%	11.5%	6.4% - 14.2%
Effective asset management					
ROCE%	4.8%	**4.8%**	4.1%	5.9%	4.9% - 6.9%
Operating efficiencies					
Headline social housing costs per unit (CPU)	£3,349 v	**£3,818**	£3,400	£3,705	£3,120 - £4,020

i During the 2018/19 financial year, settle identified errors in some of the initial VfM metrics reported and provided updated versions to the Regulator as well as reporting these on settle's website at https://www.settlegroup.org.uk/publications

ii This is the Global Accounts median benchmark average for housing associations over 1,000 units with 50% of their stock within the East of England

iii This is the Global Accounts benchmark average for similar housing associations in our locality (defined as LSVT housing associations operating primarily in Hertfordshire and/or Bedfordshire). Housing associations used are settle Group, B3 Living, Cross Keys Homes, Thrive Homes and Watford Community Action Trust.

iv This is the Global Accounts benchmark average for similar housing associations in our locality (defined as LSVT housing associations operating primarily in Hertfordshire and/or Bedfordshire). Housing associations used are settle Group, B3 Living, Thrive Homes and Watford Community Action Trust.

v our Return to the Regulator in year was based on the financial statement housing properties numbers – we have restated 2018 note 4 in these financials, which reduces our CPU by £6.

Key performance indicators:

Business health

Financial performance at settle has remained consistent across 2017/18 and 2018/19 and in line with the most recent sector benchmarking analysis. EBITDA MRI Interest Cover isn't currently one of our lender covenants but is currently strong at 209%.

Development capacity and supply

Our increase in the new supply of homes is demonstrative of our increased development ambition. Analysis against peers demonstrates that we can continue to do more to play our part on solving the housing crisis and this can be seen by Board ambitions to build at least 1,250 homes over the next 5 years.

Our gearing ratios are well within our lender covenants and provide sufficient capacity to enable us to deliver our new homes without putting pressure on settle's financial performance.

Outcomes delivered

settle has worked with Savills to create a 30-year asset management programme to ensure that the right level of investment is made to our stock at the right time. Our life-cycle approach to managing assets also ensures that we regularly review our options around void properties to understand whether investment is the right decision or whether alternative options, like disposal, are more appropriate.

The asset management programme is fully funded into our business plan. During 2018/19 we spent £3.8m, £1.1m more than 2017/18. This investment could be seen in window replacements (£2.7m), boilers (£944k), lifts (£122k) and fire doors (£113k). Despite the extra activity meaning that we reinvested more, there are anticipated cost savings through the re-procurement of the contracts for windows, asbestos removal and the fire equipment.

Effective asset management: ROCE

The ROCE performance of 4.8% remains the same as the previous year which is underpinned by similar levels of operating margin achieved in the last two financial years. This performance is broadly in line with our locality average. In 2019/20, we expect the ROCE to remain relatively constant as the increased valuation of our assets caused by development growth is expected to be aligned to our budgeted increase in operating surplus.

Operating efficiencies: Cost per unit

Headline social costs per unit rose at settle in 2018/19 by £469, largely as a result of increases in planned maintenance (£441k increase) and capital expenditure (£132k increase) on our current homes. This is driven by our asset management plan that is fully funded in the 30-year business plan. This is shown on the 2018/19 Sector Scorecard metrics on page 29.

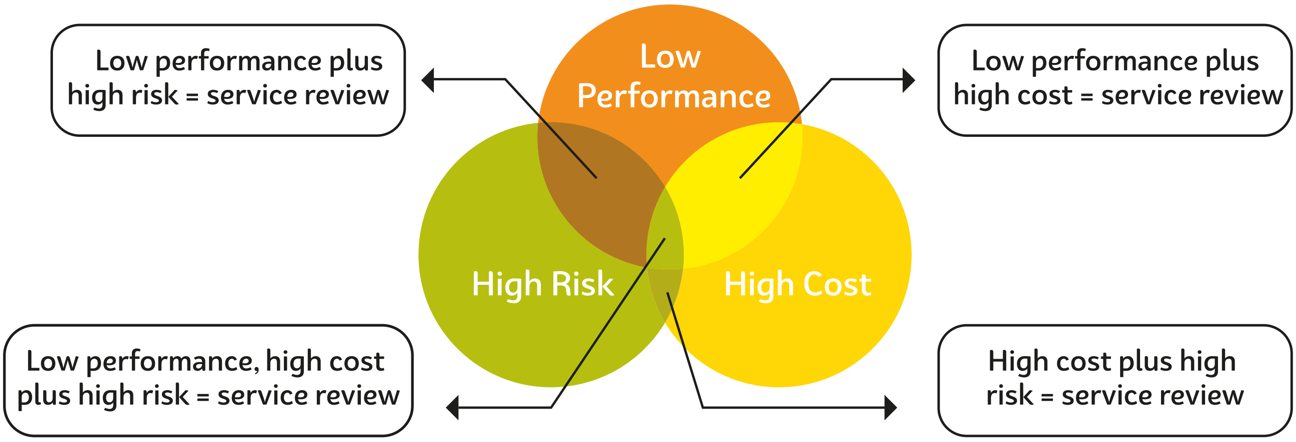
Work was also undertaken during the year to review what has historically been categorised within Other Costs per Unit. This review concluded that some of these costs would be better shown as management costs and this has driven the increase in the Management Cost per Unit figure.

The Other Cost per Unit line has increased as a result of a decision to reallocate water charges as other costs rather than service charge costs.

In 2019/20, the approved budget position estimates cost per unit to remain constant at £3,899 per unit, reinforcing our commitment to continue our spend on improving our current homes for our customers.

Next steps

During 2018/19, we have built on this approach and Board has approved a refreshed Value for Money Framework that has gone live from April 2019. Our approach can be summarised in the diagram below:



The Board approved additional monitoring of value for money targets from a quarterly basis from April 2019. These indicators are shown below and will supplement the effectiveness measures that already exist within the Board's quarterly performance pack:

- Management Cost per Unit
- Maintenance Cost per Unit
- Central overheads as a proportion of turnover

Along with staff full time equivalent (FTE) numbers, these indicators will measure whether the cost of providing our core services are in line with targets set. For example, we are committed to reducing central overheads as a proportion of turnover to 10% over the next five years.

Through this cost analysis, coupled with our performance data and risk appetite statement, we will identify areas of service provision that we will review to ascertain how improvements to value for money can be made – this will continue to include identifying whether or not settle should be providing the service.

Customer feedback

We take a multi-faceted approach to resident engagement at settle. We are keen to understand how they feel about a specific interaction and use customer surveys as a way of calculating their perception of trust and effort; i.e. has their interaction felt effortless and has it left them with a feeling of trust towards us?

However, we also conduct targeted focus groups with our customers to ensure that we reflect their priorities and expectations into the way in which we design and deliver our services.

During the year, we conducted resident focus groups to understand what they want from their repairs service and to test if our drafted repairs policy lined up with their priorities and expectations. Sessions were held at different times and locations to maximise attendance.

A key win from doing this piece of work was around residents blown double-glazed units and their replacement cycle. Historically we have not invested in blown window replacements outside of our planned window replacement programme. However, following feedback, this financial year we will be starting a new programme of blown unit replacements for properties not featured in the current five-year window replacement programme. We have also redrafted our repairs policy to highlight our residents' priorities.
Most importantly, residents fed-back how much they appreciated us coming out to speak to them and that they felt 'it's nice to feel listened to'.

2019 has also seen us engage with residents on areas of our customer strategy, provision of neighbourhood services and services and provision for an aging population. This work along with the various perception surveys feed into and are part of our customer engagement calendar.

settle Group (settle), formerly North Hertfordshire Homes Limited, is a registered Co-operative and Community Benefit Society with charitable objectives. The Association formally changed the legal name on 3 September 2018. The Group is registered with the Regulator for Social Housing, governed by a non-executive board, and operates throughout Hertfordshire and Bedfordshire, with its head office at Blackhorse Road, Letchworth Garden City, Hertfordshire, SG6 1HA. The Association commenced trading in April 2003 after the housing and ancillary land was purchased from North Hertfordshire District Council. The Group's principal activities are the management and development of affordable and supported housing. Performance during the year and position at the year end are summarised in this report.

Board structure

The Board comprises up to 9 independent non-executive members and 1 executive board member, the Chief Executive. Each Board member (except the Chief Executive) holds one fully paid £1 share in the Group.

Board membership – details as at signing date, and meeting attendance for the year (out of a total of eight meetings):

Board Member	Board attendance	Rowan Homes (NHH) Board	Audit and Risk Committee	Remuneration and Governance Committee
Martin Nurse (Chair)	8/8			✓
Marie Li Mow Ching (Vice Chair)	8/8	✓		Chair
Christine Anthony [1]	8/8		✓	
David Barnard [2]	0/1			
Robert Barton[3]	5/5	✓		
Julian Baust [4] [5]	7/8		✓	✓
Stacey Brewer [6] [7]	2/3	✓	✓	
Gavin Cansfield [3]	5/5			
Philip Day [7]	4/4		✓	
Victor Dove	7/8	Chair		
Elizabeth Froude [3]	4/4		Chair	
Jane Gray [2]	1/1		✓	✓
Simon Oates (Co-optee) [8]	0/0			
Kay Vowles [9]	7/8		✓	

[1] Term of service extended by a year until September 2019
[2] End of tenure 14th May 2018
[3] Appointed during the financial year 2018/19
[4] Appointed as a Board member (from Co-optee) during the financial year
[5] Member of Audit and Risk Committee until January 2019, Member of Remuneration and Governance Committee from October 2018 (replacing Jane Gray).
[6] Did not serve on Audit and Risk and Rowan Homes (NHH) concurrently
[7] End of tenure 25th September 2018
[8] Joined 19th March 2019 as Co-optee; no meetings within the financial year to attend. Became full Board member in May 2019
[9] Resigned 25th April 2019

Two Special General Meetings (SGM) were held during the year to amend the Association's Rules. The first SGM (held on 14th May 2018) enabled the Association to comply with the Social Housing (Influence of Local Authorities) (England) Regulations 2017, which in effect, removed representation on the Board by Members nominated by North Hertfordshire District Council.

A further SGM (held on 5th June 2018) adopted the latest Model National Housing Federation rules for the Association which included provision for all Members of the Board to have one vote each, thus making each Board Member independent. It was at this SGM that the Board also agreed the change of name from North Hertfordshire Homes to settle Group. The name change took effect from 4 September 2018.

The Executive Team during the financial year ended 31 March 2019:

Chief Executive	Gavin Cansfield		
Executive Director of Homes and Customer Experience	Shaun Holdcroft Anita Khan (Executive Director of Customer Experience)	Appointed: 16.06.16 Interim appointment: 01.10.18 – 26.06.19 Permanently appointed from 26.06.19	Resigned: 28.09.18
Executive Director of Finance and Resources	Nazar Al-Khalili (Interim) Richard Blakey	Appointed: 05.03.18 Appointed: 10.09.18	Resigned: 07.09.18

The executive directors hold no interest in the Group's share capital and, although they do not have the legal status of directors, they act as executives by the authority delegated by the Board.

The Company Secretary during the financial year ended 31 March 2019:

Company Secretary	Molly Clarke Laurence Fowler-Stevens (Interim) Jayne Kaye	Appointed 03.04.17 Appointed 05.06.18 Appointed 21.01.19	Resigned 08.06.18 Resigned 22.01.19

Advisors and Bankers

Bankers
Barclays Bank PLC
1 Churchill Place
London, E14 5HP

Auditors
BDO LLP
2 City Place
Gatwick
West Sussex, RH6 0PA

Legal Advisors
Trowers and Hamlins LLP
3 Bunhill Row
London, EC1Y 8YZ

Treasury Advisors
Centrus Financial Advisors Ltd
10 Queen Street Place
London, EC4R 1BE

Overview

settle has adopted the principles of provisions of the National Housing Federation (NHF) Code of Governance – Promoting board excellence for housing associations (2015 edition) and complies with the provisions of the Code. settle has also adopted the NHF Code of Conduct (2012 edition) through the settle Code of Conduct. An assessment of compliance with the Code of Governance is conducted on at least an annual basis; the last review was completed in May 2019.

The governance framework of settle, its constitution and the composition of its Board and respective committee is based on these requirements. The Board's responsibilities include:

- setting the strategic direction of the Group and setting out its mission, vision and values;
- approving settle's key strategies, long-term plans and objectives;
- financial control and risk management;
- monitoring settle's performance; and
- accountability to stakeholders.

Two Committees are delegated responsibilities and support the work of the Board. The committees are:

- Audit and Risk Committee
- Remuneration and Governance Committee

The Audit and Risk Committee reviews the work of the internal and external auditors and the system of risk management and internal controls.
This includes review, scrutiny and constructive challenge in relation to external audit, internal audit, internal controls, whistleblowing, fraud, financial reporting, risk appetite, strategy and management, and other related matters.
The Audit and Risk Committee also reviews the audited financial statements and recommends them to the Board for approval.
The Committee reports annually to the Board on its work and conclusions.

The Remuneration and Governance Committee considers settle's remuneration and reward strategy, including executive pay, employee pay awards, pensions arrangements and Board and committee remuneration, and supports the Board in reviewing the effectiveness of the governance arrangements of the organisation.

The subsidiary Rowan Homes (NHH) Limited also forms part of the Group. Rowan Homes purpose is to develop new housing properties for outright sale; this is not a charitable activity, but any profits are distributed to settle.

In March 2019 the Board approved in principle the creation of a Development Committee and a Treasury Committee to better support and scrutinise the more ambitious development strategy of the Group over the next five years. In July 2019 the Board adopted a revised Governance Framework, including Operating Regulations, Financial Regulations and Schedule of Delegated Authority that included the two new committees and expanded responsibilities for the Remuneration and Governance Committee which was renamed the People and Governance Committee.

Authority and accountability for the operational management of settle is delegated by the Board to the Chief Executive and the Executive team.

settle maintained its G1 governance rating and V1 viability rating throughout the year.

Approach to risk and assurance

settle exists to help people who are struggling to find a place to live. We help our customers to stay in their homes comfortably, so that they can live the life they choose. We have values and behaviours in place which shape us and guide the decisions we make to achieve our purpose.

Whilst our purpose and values haven't changed, our ambition has. It is therefore crucial that we have an effective risk management framework in place that provides a structured and coherent approach to identifying, assessing and managing risk.

Our approach to risk management

settle's approach to risk is governed by its risk appetite statement. Risk appetite is best defined as the level of risk that we are prepared to accept in pursuit of our strategic objectives and before action is deemed necessary to reduce the risk. The Board reviews the risk appetite statement at least annually.

A framework is in place to manage both strategic and operational risks across the business, which is highlighted in the table below:

This framework is designed to create a cascade of risk, creating a more live framework and more regular conversations about risk management throughout the business. To assist with this there are a series of rules to apply when considering where a risk sits.

Directorate operational risk log

The risk is held here if it is relevant to the activity of that directorate and, were it to occur, would have a material effect on the day to day running of the directorate, its customers, systems or colleagues. This is managed at a directorate level and is reviewed on a monthly basis.

Leadership operational risk log

A directorate risk will move to a leadership risk on the basis of at least one of the following two factors:

- The emergence of the risk is such that it would affect more than one directorate if it were to occur.
- The scale of the risk is such that it would require substantial resource to mitigate from across directorates which would result in other work having to be re-prioritised.

Leadership Risk log is reviewed on a monthly basis at settle's leadership team meetings.

Risk assurance framework

A risk is registered on the strategic framework if its occurrence would cause one or more of the strategic themes to miss the agreed target. Risks will be logged on the assurance framework in the following circumstances.

- A single operational risk may move to the strategic framework if the impact would result in a strategic theme going off course.
- A series of connected operational risks may, together, form a strategic level risk due to their combined effect on the achievement of a strategic theme.

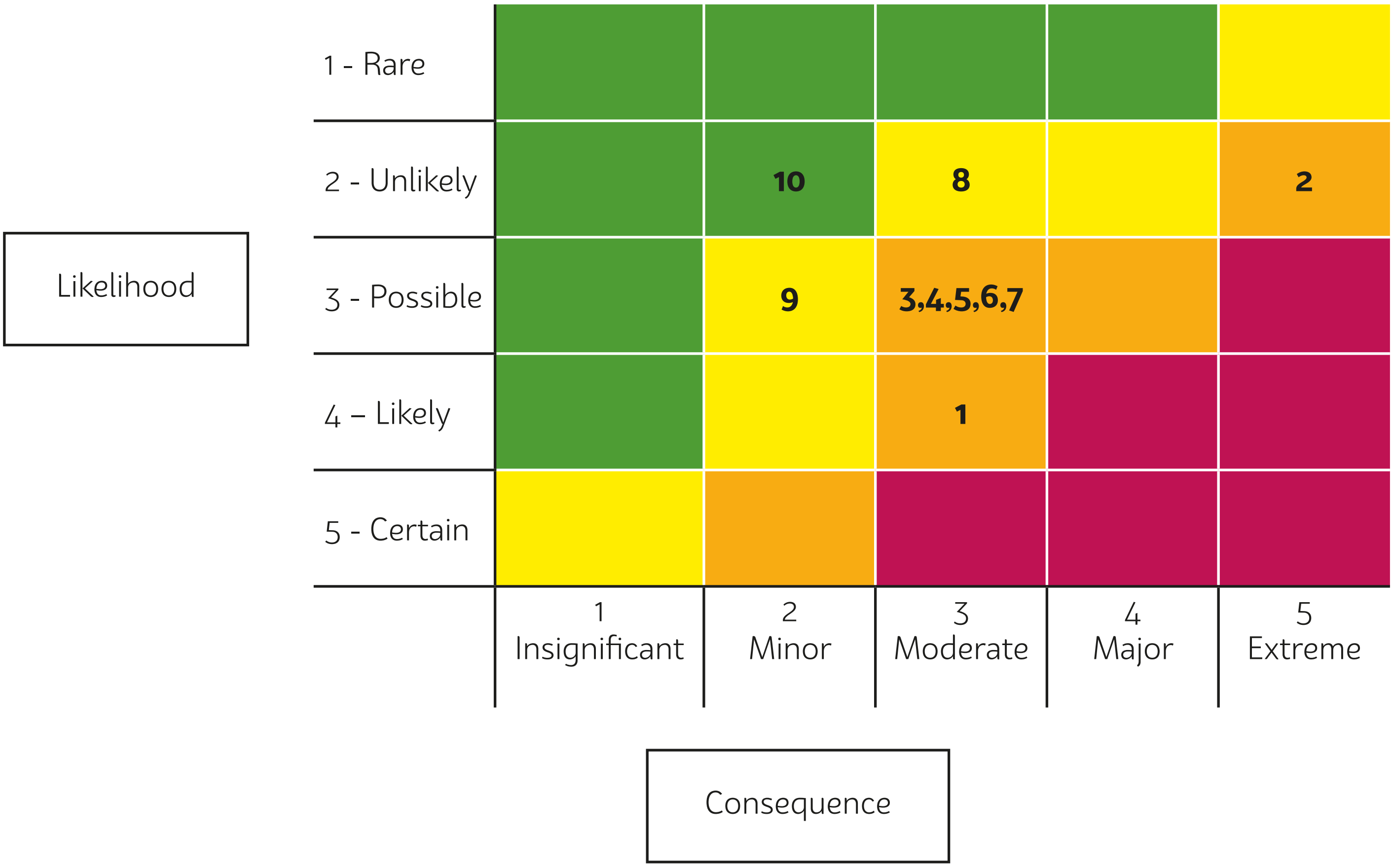
As at 31st March 2019, the key risks on settle's risk assurance framework, together with the principal controls we have in place to mitigate these risks are shown in the table below.

No	Risk	Principal controls
1	Government policy around rent setting and welfare spending cause the housing association sector to experience significant reductions in projected revenue from rents	• Clearly established policy and procedure for management of rent arrears and collection. • Clear performance dashboard for income activity. • Tracking of all households currently affected by Universal Credit (UC) and Benefit Cap including face to face financial health-checks for all customers moving over to UC. • Prudent assumptions on revenue and cost inflation in the settle financial plan. • Access to UC landlord portal.
2	Failure to comply with health and safety requirements, putting customers at risk	• A properly qualified landlord compliance team with the correct level of expertise to manage the service. • A full programme of testing for all key compliance areas and an appropriate forward view on projections of activity to remain in or gain full compliance. • Contracts in place for gas, fire safety, electrical, water testing and all other minor compliance functions. • A full suite of up to date policies and procedures covering landlord compliance. • Monthly internal assurance panel chaired by CEO to have oversight of all landlord compliance functions.
3	Drop in sales prices	• Undertake 6 monthly stress testing to programme within business plan and when presenting new opportunities for approval. • Regularly review development and sales strategy to match product to market and target price point. • Model financial consequences of tenure change; use independent consultants to aid in decision making. • Moderate land banking - buy with or subject to planning permission. • Include contingency. • Routinely gather intelligence on housing market and local competition, informing regular review of financial appraisal. • Stock-up on long dated s106. • Gatekeeping including up to date appraisal prior to build commitment. • Processes facilitate off-plan sales.

4	Adverse increase in build costs	• Blend s106 (discounted supply) and own programme. • Let contracts as fixed price (unless indicators suggest otherwise). • Moderate land banking - buy with or subject to planning permission, to reduce fluctuation window between land and build commitment. • Undertake regular stress testing to programme within business plan. • Use independent consultants to aid in decision making. • Include contingency / inflationary assumptions. • Routinely gather intelligence on cost inflation. • Issue tenders with value engineering schedule to provide options for improvement.
5	s106 supply dries up, slowing the committed development pipeline	• Purchases structured with incentivised cashflow; negotiate realistic long stop dates. • Maintain market/political intelligence. • Maintain alternative of own programme, and at larger scale. • Pursue asset-led opportunities. • Keep up the level of skills to do own development. • Monitor traction rate of offers and maintain appraisal assumptions and hurdles under regular review. • Consider secondary mitigations. • Stock up on long-dated s106 deals which may outlast market adjustment cycles. • Bid for plots intended for sale on bulk package terms (i.e. discounted price).
6	Change in Government policy; Green Paper likely to have major impact on consumer regulation	• Regulatory return completed to ensure compliance with all consumer standards. • ICS membership and engagement to ensure focus on customer experience – acts as a control on driving actions from feedback on service delivery. • Customer Offer Steering Group in place to gather feedback from complaints root cause analysis and drive improvements – this acts as a control function to ensure complaints are dealt with and the learning opportunity is maximised.
7	The core IT infrastructure is not robust enough to enable settle to provide an efficient service delivery	• IT roadmap is in place that ensures a clear set of priorities are in place. • Monthly reviews of roadmap deliverables are in place. • Monthly reporting from third party provider, Castleton, is in place. • IT policies and procedures are in place. • Regular back-up of systems are undertaken.

8	The organisation fails to manage its data appropriately increasing the risk of fines and reputational damage	• Data Protection Officer (DPO) role in place. • GDPR e-Learning training has been rolled out and completed across the colleague base. • DPO training provided to Governance Team. • GDPR delivery plan in place and regularly monitored. • All new policies and procedures have a Data Protection Impact Assessment undertaken.
9	Services fail to operate within the regulatory standards and/or submit required returns to regulators	• Trained and skilled colleagues who are capable. • Internal assurance panels. • We maintain a full and up to date suite of policies and procedures covering key services. • Regular review of services through internal auditors. • The controls embedded during the year, plus additional oversight from Altair has meant that our current risk is that any potential regulatory submission discrepancy would have a minor consequence.
10	We are unable to attract sufficiently skilled people to work for settle nor are we able to retain colleagues	• Recruitment policy and procedures are in place • Performance Management Objectives and regular 1-2-1s for all colleagues in place across the business. • settle Leaders Development Programme which seeks to strengthen the expertise and experience of line managers. • Competitive pay and reward offer. • Embedded suite of face-to-face communication set pieces are in place (Team Briefs, Executive Roadshows) that ensure clear communication channels are in place to ensure colleagues feel part of the achievement of strategic objectives. • Annual colleague engagement surveys. • Arrangements are in place and shared with colleagues about how the wider leadership team will respond to survey results. • Exit interviews are in place to ensure learning from why people elect to leave settle. • settle Forum acts as a peer-to-peer feedback loop on colleague engagement.

The Group risk heat map summarised below shows the residual risk rating as at 31st March 2019 after mitigating actions have been taken. All risks are kept under regular review by settle's Executive Team, the Audit and Risk Committee and the Board.



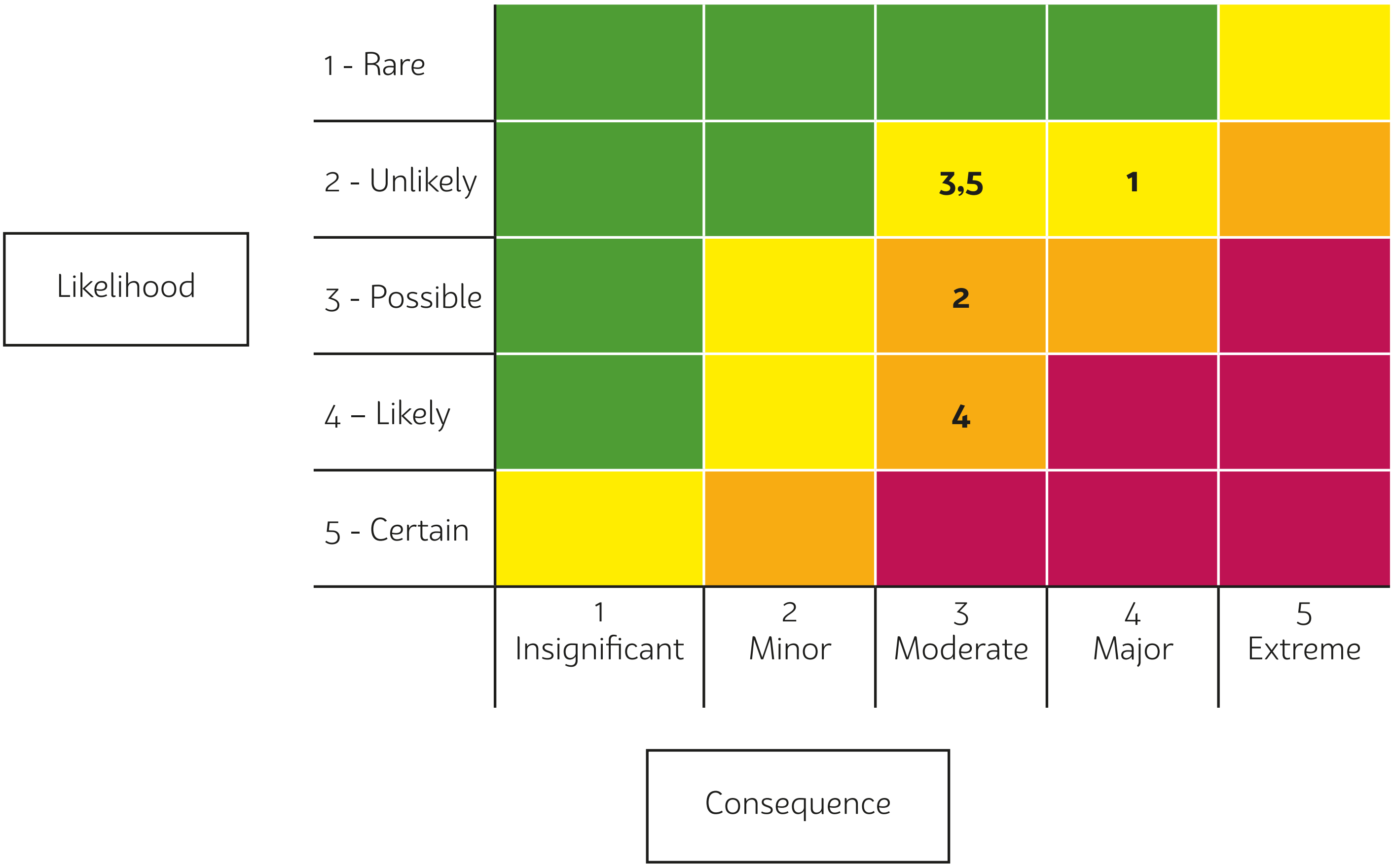
Risk management of Rowan Homes (NHH) Limited

The same approach to risk management is in place for our subsidiary Rowan Homes (NHH) Limited. As at 31st March 2019, the key risks on Rowan Homes (NHH) Limiteds' risk assurance framework, together with the principal controls we have in place to mitigate these risks are shown in the table below.

No	Risk	Principal controls
1	Rowan Homes (NHH) Limited no longer has a Going Concern status	• Inter-company loan between settle and Rowan Homes (NHH) has been extended. • SLA in place outlining services provided by settle Group to Rowan Homes (NHH). • Regular review of business plan, with stress testing, provides a longer-term view of the viability of Rowan Homes (NHH).
2	Properties built for sale deliver poor or no profit	• Regular stress testing to programme within business plan including at key investment stages. • Regular review of the development and sales strategy to match product to market and target price point. • Use of independent consultants to aid in decision making (valuation, legal, survey, cost advice, VFM assessment). • Procure on fixed price in line with procurement policy. • Routinely gather intelligence on housing market and local competition.

3	Financial capacity impedes programme delivery	• Project in place to review and negotiate covenant flexibility on lending limits. • Regular cashflow and peak debt analysis presented to Rowan Homes (NHH) Board, identifying constraints in delivery of business plan. • Land banking policy.
4	Inefficient tax strategy harms profitability or causes reputational harm	• Independent review of our tax arrangements has identified opportunities for settle to arrange its activities in a more efficient and effective manner. • Project specific tax advice always sought prior to negotiation / commitment.
5	Weak brand impacts sales or growth potential	• settle Group's development strategy provides clarity on market product. • Regular review of sales and marketing strategy. • Regular refresh of brand guidelines.

The Group risk heat map summarised below shows the residual risk rating as at 31st March 2019 after mitigating actions have been taken



Statement on internal controls assurance

The Board acknowledges its responsibility for ensuring that settle has in place a system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage risk and to provide reasonable, but not absolute, assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial information and the safeguarding of assets.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which is embedded within normal management and governance processes. This approach includes the regular evaluation of the nature and extent of risks.

Key elements of our internal control framework include:

- Board approved terms of reference and delegated authorities to the Group's Committees;
- An annual review of compliance with the NHF Code of Governance;
- Formal board evaluation and appraisal procedures;
- Clear responsibilities for the identification, evaluation and control of risk. The Executive Team and the Audit and Risk Committee consider risks throughout the year. The Chief Executive and the Audit and Risk Committee are responsible for reporting any significant changes to the Board;
- Committee approved internal audit plan and internal audit reporting at Committee meetings;
- Regular reporting by the appropriate committee or the Board of risk information;
- Key health and safety issues reported to the Health, Safety and Wellbeing Board and the Audit and Risk Committee;
- Financial reporting procedures that include detailed budgets and forecasts for the year ahead;
- The Board regularly reviews key performance indicators to assess progress towards the achievement of key business issues, objectives, targets and outcomes;
- A detailed approach to treasury management and stress testing;
- Regular monitoring of loan covenants and loan facilities;
- Chief Executive's assurance to the Committee and the Board;
- Review and assessment of compliance with the RSH regulatory standards; and
- Regular updates and reporting by the external auditors.

Work has continued throughout the year to ensure that settle is GDPR compliant. Great progress has been made and this is reported to Audit and Risk Committee at each of its meeting. An internal audit on our GDPR arrangements was undertaken during the year which reported that adequate arrangements were in place. Four recommendations were made, of which two had been implemented by year end. A third was completed by June 2019. Work is ongoing to embed our data mapping records throughout the business and this will be a key focus of attention in the year ahead.

During the financial year, some weaknesses in our arrangements for reviewing data returns to the Regulator were identified. These issues were comprehensively shared with the Regulator for Social Housing, along with a clear set of actions that would provide further assurance to the Board that these controls had been improved and embedded into our routine management practices. This has meant that our control framework has been strengthened during the year with the engagement of Altair who have provided an independent review of each of our regulatory returns.

During an internal audit on rent setting, it was identified that settle's approach to setting new affordable rents was inconsistent with the approved Rent Setting Policy. A follow up audit was undertaken on the recent 2019/20 rent setting process in response to this report, which provided assurances that this issue had now been resolved.
The Board has delegated to the Audit and Risk Committee the regular review of the effectiveness of the system of internal controls, whilst maintaining ultimate responsibility for the system of internal control.

The Audit and Risk Committee reviewed the effectiveness of the system of internal control from the period commencing 1 April 2018 up to the date of approval of the financial statements, and the annual report of the internal auditor, and reported to the Board that it found no significant weaknesses in the system of internal control.

Governance and Financial Viability Standard

The Board confirms that an assessment of settle's compliance with the Governance and Financial Viability Standard has been completed and certifies that settle is compliant with the Governance and Financial Viability Standard.

Statement of the responsibilities of the board for the annual report and financial statements

Board members' responsibilities

The board members are responsible for preparing the annual Report of the Board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 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 Group and Association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

The financial statements are published on the Group and Association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group and Association's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

External auditors

BDO LLP were appointed as auditor during the year. BDO are willing to continue in office and the Audit and Risk Committee will make a recommendation to the Board regarding the continuation of BDO LLP in post as Auditor for the forthcoming year. BDO have provided services in relation to the annual audit of the Group and taxation advice in the year.

Statement of compliance

In preparing this Operating and Financial Review and Board Report, the Board has followed the principles set out in the SORP 2014 update.

The Operating and Financial Review and Board Report was approved by the Board on 23 July 2019 and signed on its behalf by:

Martin Nurse
Chair

Independent auditor’s report to the members of settle Group

Opinion

We have audited the financial statements of settle Group (“the Association”) and its subsidiary (“the Group”) for the year ended 31 March 2019 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of changes in reserves, the consolidated and Association statement of financial position, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).
In our opinion, the financial statements:

- give a true and fair view of the state of the Group’s and of the Association’s affairs as at 31 March 2019 and of the Group’s and the Association’s surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Board are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information including the Strategic Report, Statement of Corporate Governance and Internal Controls and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements,

we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in the board members responsibilities statement set out on page 46, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the Board are responsible for assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

BDO LLP
Statutory Auditor, Chartered Accountants
London
23 July 2019

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

Consolidated statement of comprehensive income

		2019			2018	
	Note	**Continuing operations**	**Discontinued operations**	**Total**	Continuing operations	Total
		£'000	**£'000**	**£'000**	£'000	£'000
Turnover	3	**66,934**	**1,115**	**68,049**	78,008	78,008
Cost of sales	3	**(9,424)**	**-**	**(9,424)**	(35,386)	(35,386)
Operating expenditure	3	**(37,361)**	**(1,885)**	**(39,246)**	(23,623)	(23,623)
Gain on disposal of property, plant and equipment	6	**1,757**	**-**	**1,757**	1,287	1,287
Operating surplus/(deficit)	5	**21,906**	**(770)**	**21,136**	**20,286**	**20,286**
Interest receivable	7	**923**	**-**	**923**	769	769
Interest and financing costs	8	**(11,428)**	**-**	**(11,428)**	(11,411)	(11,411)
Movement in fair value of ineffective financial instruments		**(180)**	**-**	**(180)**	2,393	2,393
Surplus/(deficit) before tax		**11,221**	**(770)**	**10,451**	**12,037**	**12,037**
Taxation	12	**32**	**-**	**32**	(7)	(7)
Surplus/(deficit) for the year		**11,253**	**(770)**	**10,483**	**12,030**	**12,030**
Other comprehensive income						
Actuarial gain/(loss) in respect of pension schemes	27	**896**	**-**	**896**	(987)	(987)
Revaluation of effective financial instruments		**(1,419)**	**-**	**(1,419)**	3,265	3,265
Revaluation of investments	17	**34**	**-**	**34**	(189)	(189)
Total comprehensive surplus/(deficit) for the year		**10,764**	**(770)**	**9,994**	**14,119**	**14,119**

The accompanying notes on pages 51 to 81 form part of these financial statements.

The financial statements were approved by the Board on 23 July 2019.

Martin Nurse
Chairman

Jayne Kaye
Group Secretary

J Kaye

Gavin Cansfield
Chief Executive

Association statement of comprehensive income

	Note	2019			2018	
		Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Total
		£'000	**£'000**	**£'000**	£'000	£'000
Turnover	3	**63,555**	**1,115**	**64,670**	68,378	68,378
Costs of sales	3	**(6,459)**	**-**	**(6,459)**	(25,813)	(25,813)
Operating costs	3	**(37,242)**	**(1,885)**	**(39,127)**	(22,989)	(22,989)
Gain on disposal of property, plant and equipment	6	**1,757**	**-**	**1,757**	1,287	1,287
Operating surplus/(deficit)	5	**21,611**	**(770)**	**20,841**	**20,863**	**20,863**
Interest receivable	7	**1,036**	**-**	**1,036**	1,093	1,093
Interest and financing costs	8	**(11,428)**	**-**	**(11,428)**	(11,411)	(11,411)
Movement in fair value of ineffective financial instruments		**(180)**	**-**	**(180)**	2,393	2,393
Surplus/(deficit) before tax		**11,039**	**(770)**	**10,269**	**12,938**	**12,938**
Taxation	12	**19**	**-**	**19**	(7)	(7)
Surplus/(deficit) for the year		**11,058**	**(770)**	**10,288**	**12,931**	**12,931**
Other comprehensive income						
Actuarial gain/(loss) in respect of pension schemes	27	**896**	**-**	**896**	(987)	(987)
Revaluation of effective financial instruments		**(1,419)**	**-**	**(1,419)**	3,265	3,265
Revaluation of investments	17	**34**	**-**	**34**	(189)	(189)
Total comprehensive surplus/(deficit) for the year		**10,569**	**(770)**	**9,799**	**15,020**	**15,020**

The accompanying notes on pages 51 to 81 form part of these financial statements.
The financial statements were approved by the Board on 23 July 2019.

Martin Nurse
Chairman

Jayne Kaye
Group Secretary

J Kaye

Gavin Cansfield
Chief Executive

Group and Association statement of financial position

		Group		Association	
		2019	2018	**2019**	2018
	Note	**£'000**	£'000	**£'000**	£'000
Fixed assets					
Intangible fixed assets	13	**265**	287	**252**	273
Tangible fixed assets – housing	14	**369,398**	356,446	**369,398**	356,446
Tangible fixed assets – other	15	**5,623**	4,699	**5,623**	4,699
Investment properties	16	**1,500**	1,705	**1,000**	1,180
Investments	17	**7,366**	7,312	**7,366**	**7,312**
		384,152	370,449	**383,639**	369,910
Current assets					
Properties held for sale	18	**11,383**	13,124	**9,625**	8,926
Stock		**126**	190	**126**	190
Trade and other debtors	19	**3,073**	2,521	**5,097**	**7,181**
Cash and other cash equivalents		**66,998**	70,815	**66,851**	70,669
		81,580	86,650	**81,699**	**86,966**
Creditors: amounts falling due with one year	20	**(28,261)**	(23,733)	**(28,101)**	(23,554)
Net current assets		**53,319**	62,917	**53,598**	63,412
Total assets less current liabilities		**437,471**	433,366	**437,237**	**433,322**
Creditors: amounts falling due after more than one year	21	**(371,968)**	(377,118)	**(371,969)**	(377,114)
Provision for liabilities					
Pension liability	27	**(753)**	(1,492)	**(753)**	(1,492)
Total net assets		**64,750**	54,756	**64,515**	54,716
Reserves					
Income and expenditure reserve		**96,126**	84,747	**95,891**	84,707
Investments revaluation reserve		**1,706**	1,672	**1,706**	1,672
Financial instrument hedging reserve		**(33,082)**	(31,663)	**(33,082)**	(31,663)
Total reserves		**64,750**	54,756	**64,515**	54,716

The reserves brought forward and creditors have been restated to account for the Disposal Proceeds liability previously disclosed as a contingent liability. The accompanying notes on pages 51 to 81 form part of these financial statements.
The financial statements were approved by the Board on 23 July 2019.

Martin Nurse
Chairman

settle Group

Jayne Kaye
Group Secretary

J Kaye

Gavin Cansfield
Chief Executive

Company number: 30003R

Consolidated statement of changes in reserves

	Income and expenditure reserve	Investments revaluation reserve	Financial instrument hedging reserve	Total
	£'000	£'000	£'000	£'000
Balance at 31 March 2017	73,704	1,861	(34,928)	40,637
Total comprehensive surplus for the year	14,119	-	-	14,119
Revaluation of financial instruments	-	-	3,265	3,265
Revaluation of investments	-	(189)	-	(189)
Transfer from revaluation reserve to other comprehensive income	(3,076)	-	-	(3,076)
Balance at 31 March 2018	**84,747**	**1,672**	**(31,663)**	**54,756**
Total comprehensive surplus for the year	9,994	-	-	9,994
Revaluation of financial instruments	-	-	(1,419)	(1,419)
Revaluation of investments	-	34	-	34
Transfer from revaluation reserve to other comprehensive income	1,385	-	-	1,385
Balance at 31 March 2019	**96,126**	**1,706**	**(33,082)**	**64,750**

The reserves brought forward have been restated to account for the Disposal Proceeds liability previously disclosed as a contingent liability.

The accompanying notes on pages 51 to 81 form part of these financial statements.

Association statement of changes in reserves

	Income and expenditure reserve	Investments revaluation reserve	Financial instrument hedging reserve	Total
	£'000	**£'000**	**£'000**	**£'000**
Balance at 31 March 2017	72,763	1,861	(34,928)	39,696
Total comprehensive surplus for the year	15,020	-	-	15,020
Revaluation of financial instruments	-	-	3,265	3,265
Revaluation of investments	-	(189)	-	(189)
Transfer from revaluation reserve to other comprehensive income	(3,076)	-	-	(3,076)
Balance at 31 March 2018	**84,707**	**1,672**	**(31,663)**	**54,716**
Total comprehensive surplus for the year	9,799	-	-	9,799
Revaluation of financial instruments	-	-	(1,419)	(1,419)
Revaluation of investments	-	34	-	34
Transfer from revaluation reserve to other comprehensive income	1,385	-	-	1,385
Balance at 31 March 2019	**95,891**	**1,706**	**(33,082)**	**64,515**

The reserves brought forward have been restated to account for the Disposal Proceeds liability previously disclosed as a contingent liability.

The accompanying notes on pages 51 to 81 form part of these financial statements.

Consolidated statement of cash flows

		2019	2018
	Note	£'000	£'000
Net cash generated from operating activities	29	**29,026**	44,976
Cash flow from investing activities			
Purchase of construction and improvements of housing properties	14	**(23,211)**	(13,309)
Purchase of other fixed assets	15	**(995)**	(225)
Proceeds from sale of tangible fixed assets	6	**6,271**	5,948
Investment in subsidiary undertaking	17	**(20)**	-
Grants received	22	**705**	708
Interest received		**511**	154
Corporation tax		**21**	(46)
Net cash outflow from investing activities		**(16,718)**	(6,770)
Cash flow from financing activities			
Repayment of loan		**(4,500)**	-
Interest paid		**(11,625)**	(11,422)
Total cash outflow from financing activities		**(16,125)**	(11,422)
Net change in cash and cash equivalents		**(3,817)**	26,784
Cash and cash equivalents at beginning of the year		**70,815**	44,031
Cash and cash equivalents at the end of the year		**66,998**	70,815

The accompanying notes on pages 51 to 81 form part of these financial statements.

Notes to the financial statements

1 Legal Status

The Association is registered under the Cooperative and Community Benefit Society Act 2014 at Blackhorse Road, Letchworth Garden City, Hertfordshire, SG6 1HA and is a registered housing association. Registered charity number: 30003R. settle is a public benefit entity in accordance with FRS102.

settle Group has one subsidiary, Rowan Homes (NHH) Limited, which is a registered company developing houses for sale.

2 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for settle Group (the "Group") includes the Cooperative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, "Accounting by registered social housing providers" 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015.

The accounts are prepared under the historic cost basis except for the modification to a fair value basis for certain financial instruments and investment properties as specified in the accounting policies below. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

Disclosure exemptions

The individual accounts of settle Group have adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes;
- financial instrument disclosures, including;
  - categories of financial instruments;
  - items of income;
  - expenses;
  - gains or losses relating to financial instruments; and
  - exposure to and management of financial risks.

Basis of consolidation

The Consolidated Group financial statements include the accounts of the Association and its subsidiary, Rowan Homes (NHH) Limited (together, 'the Group') as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the financial statements of the Association and its subsidiary, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the strategic report. The Group has long-term debt facilities in place which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Significant judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

- **Fair value of financial instruments** - interest rate swap contracts allow the company to swap the prevailing three-month LIBOR rate of interest for a fixed rate, on a defined level of principal. The company has three of these contracts, which are independently measured at fair value. The fair value is used in the accounts and is derived from the difference between the fixed and variable rate and discounted across the relevant period of the yield curve. Note 33 details the financial instruments.

- **Defined benefit pension scheme** - actuarial assumptions have been made in determining the valuation. Note 27 details the assumptions used.

- **Assessment of loans as basic** - assessing the loans as basic requires judgements based on the loan agreements. settle concludes that the loans disclosed herein are treated as basic, as assessed during transition to FRS 102 by external advisors with no changes to documentation thereafter.

- Management judgement is applied in determining the extent to which the risks and benefits are transferred to the Association when considering income to be recognised. £379k of supporting people income was recognised in the year (*2018: £374k*).

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Turnover and revenue recognition

The Group's and Association's principal activities are the management and development of affordable and supported housing.

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale, other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and grants receivable in the year. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Employee benefits

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement accrued at the statement of financial position date.

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal to a formal detailed plan to terminate employment.

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Pensions

The Group operates a defined benefit scheme (LGPS) contracted out of the state scheme for employees, who were transferred under TUPE from the North Hertfordshire District Council scheme.

The pension scheme, which is closed to new employees, is valued every three years by a professionally qualified independent actuary, more often when there are changes in circumstances, the rates of contribution being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rate.

For the LGPS, assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets in the statement of financial position. A net surplus is recognised only to the extent that is recoverable by the Group through reduced contributions or through refunds from the plan.

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. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income.

The Group also operates a stakeholder's money purchase scheme for new employees hired after the 1st April 2003. Pension costs are based on a fixed percentage of the employee's salary according to the age of the employee and are accounted for by charging the cost to the income statement.

Interest payable

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents:

(a) interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or
(b) a fair amount of interest on borrowings of the Association as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to income and expenditure in the year.

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable surplus for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group 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.

Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model. Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses on the ineffective financial instruments being reported in surplus or deficit and any effective financial instruments being recorded in the financial instrument hedging reserve. At each year end, the instruments are revalued to fair value.

Intangible fixed assets

Software is treated as an intangible asset and is amortised on a four-year straight-line basis.

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less depreciation.

Completed housing and shared ownership properties are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. Impairment reviews are made with sufficient regularity to ensure the carrying amount does not materially differ from the fair value or the properties at year end.

Housing properties under 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.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

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 to sales proceeds included in turnover, and the remaining element is classed as fixed asset and included in the housing properties at cost, less any provisions needed for depreciation or impairment.

Depreciation of housing properties

The Group separately identifies the major components which comprise its housing properties, charging depreciation thereon, so as to write-down the cost of each component to its estimated residual value, on a straight-line basis, over its estimated useful economic life.

The Group depreciates the major components of its housing properties over the following useful economic lives:

Bathrooms	30 years
Boilers	15 years
Building structure	100 years
Garages	50 years
Kitchens	20 years
Mechanical systems (electrics, plumbing)	30 years
Roofs	60 years
Windows and doors	30 years

Freehold land is not depreciated.

Leasehold properties are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Upon completion or acquisition of a property, cost of sales is apportioned at the following rates:

Bathroom	2%
Boiler	2%
Building structure	30%
Electric Wiring	4%
Heating Systems	5%
Kitchen	2%
Land	35%
Roof	10%
Windows and Doors	10%

Other tangible fixed assets

Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

The principal annual rates used for other assets are:

Freehold buildings	50 years
Long leasehold property	Over life of lease
Furniture, fixtures and fittings	10 years
Computers and office equipment	4 years
Motor vehicles	4 years

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

Impairment

Fixed Assets including housing properties are assessed annually for impairment indicators. 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. The resulting impairment loss is recognised as operating expenditure. Where a scheme is currently deemed not to be providing service potential to the Association, its recoverable amount is its fair value less costs to sell.

Investment properties

Investment properties consist of commercial properties and other properties not held for the social benefit or for use in carrying out business activities. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in 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 net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Donated land and other assets

Land and other assets donated by local authorities and other government sources is capitalised 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 increase in value between fair value and consideration paid is treated as non-monetary grant and recognised on the statement of financial position as a liability. The terms of the donation are deemed to be performance related conditions. Where the donation is from a non-public source, the value of the donation is included as income.

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

Government grants

Government grants include grants received or receivable from the Homes England, local authorities and other government bodies.

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received. Reasonable assurance is achieved when the grant provider gives notification of when payment will be made or the grant is received.

Government grants received for housing properties are recognised in income over the useful economic life of the structure (excluding land) of the asset under the accruals model.

Government grants relating to revenue are recognised as income over the periods when the related costs are incurred once reasonable assurance has been gained that the company will comply with the conditions and the funds will be received.

Other grants

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

Community Benefit Fund (CBF) agreement

A community benefit agreement exists between the Group and North Hertfordshire District Council to record the surpluses on sales of assets that were part of the original stock transfer and the savings made under the VAT plan that had been approved by HM Revenue and Customs. A contracted sum which is indexed linked to RPI for the current year is recognised as income to settle, the remaining proceeds are recycled to the Fund and disclosed under creditors falling due within one year.

Disposal Proceeds Fund (DPF)

Receipts from Right to Acquire (RTA) sales are required to be retained in a ring-fenced fund that can only be used for providing replacement housing. The sales receipts less eligible expenses are credited to the Disposal Proceeds Fund. Any sales receipts less eligible expenses held within Disposal Proceeds Fund, which it is anticipated will not be used within one year is disclosed in the statement of financial position under creditors due after more than one year. The remainder is disclosed under creditors falling due within one year.

Creditors

Short term trade 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 subsequently measured at amortised cost using the effective interest method.

Debtors

Short term debtors are measured at 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 market rate.

Loans receivable are measured initially at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any impairment.

Provisions for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

Investment in subsidiaries

Investments in subsidiaries are held in the statement of financial position at cost less impairment. During the year, settle acquired 20,000 shares in MORHomes Plc. settle's interest has been included in these financial statements as an investment in associated undertaking.

3 Particulars of turnover cost of sales, operating costs and operating surplus.

3a Group – continuing activities

		2019		
	Turnover	Cost of sales	Operating expenditure	Operating surplus
	£'000	£'000	£'000	£'000
Social housing lettings	51,762	-	(35,364)	16,398
Other social housing activities				
Current asset property sales	6,493	(4,188)	(60)	2,245
Charges for support services	40	-	(304)	(264)
Supporting people	369	-	(215)	154
Other	888	-	-	888
	7,790	(4,188)	(579)	3,023
Gains on disposal of fixed assets - housing properties	-	-	-	1,757
Non - social housing activities	7,382	(5,236)	(1,418)	728
	66,934	(9,424)	(37,361)	
				21,906

		2018		
	Turnover	Cost of sales	Operating expenditure	Operating surplus
	£'000	£'000	£'000	£'000
Social housing lettings	51,858	(13,859)	(20,371)	17,628
Other social housing activities				
Current asset property sales	4,583	(2,882)	(235)	1,466
Charges for support services	1,348	(401)	-	947
Supporting people	374	(100)	-	274
Other	2,326	-	(190)	2,136
	8,631	(3,383)	(425)	4,823
Gains on disposal of fixed assets - housing properties	-	-	-	1,287
Non - social housing activities	17,519	(18,144)	(2,827)	(3,452)
	78,008	(35,386)	(23,623)	
				20,286

3 Particulars of turnover, cost of sales, operating costs and operating surplus *(continued)*

3a Association – continuing activities

	2019			
	Turnover	Cost of sales	Operating expenditure	Operating surplus/(deficit)
	£'000	£'000	£'000	£'000
Social housing lettings	51,762	-	(35,364)	16,398
Other social housing activities				
Current asset property sales	6,493	(4,189)	(60)	2,244
Charges for support services	40	-	(304)	(264)
Supporting people	369	-	(215)	154
Other	888	-	-	888
	7,790	(4,189)	(579)	3,022
Gains on disposal of fixed assets - housing properties	-	-	-	1,757
Activities other than Social Housing	4,003	(2,270)	(1,299)	434
	63,555	(6,459)	(37,242)	
				21,611

	2018			
	Turnover	Cost of sales	Operating expenditure	Operating surplus/(deficit)
	£'000	£'000	£'000	£'000
Social housing lettings	51,858		(20,371)	17,628
Other social housing activities				
Current asset property sales	4,583	(2,882)	(235)	1,466
Charges for support services	1,348	(401)	-	947
Supporting people	374	(100)	-	274
Other	2,326	-	(190)	2,136
	8,631	(3,383)	(425)	4,823
Gains on disposal of fixed assets - housing properties	-	-	-	1,287
Activities other than Social Housing	7,889	(8,571)	(2,193)	(2,875)
	68,378	(25,813)	(22,989)	
				20,863

3a Group and association – discontinued activities

		2019		
	Turnover	Cost of sales	Operating expenditure	Operating surplus/(deficit)
	£'000	£'000	£'000	£'000
Social housing lettings	-	-	-	-
Other social housing activities				
Charges for support services	**1,115**	-	**(1,885)**	**(770)**
Supporting people	-	-	-	-
	1,115	-	**(1,885)**	**(770)**
Activities other than Social Housing	-	-	-	-
	1,115	-	**(1,885)**	**(770)**

On 28 February 2019, the Board ended the Flexicare contracts with Hertfordshire County Council, following a review of financial viability of the service. This decision affected five Flexicare schemes and the contract has been given to another provider.

settle now no longer provides these services, disclosed here as discontinuing operations, but retains the homes rented at social rates to tenants, who will not be displaced as a result of the change. All employees affected have either transferred to the new contractor or have been found alternative work within the settle Group.

3b Particulars of income and expenditure from social housing lettings - Group and Association

					2019	2018
	General needs housing	Supported housing and housing for older people	Temporary social housing	Low cost home ownership	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	41,050	3,638	692	919	46,299	46,457
Service charge income	466	560	37	90	1,153	1,167
Other revenue income	3,049	570	105	1	3,725	3,680
Amortised government grants	461	10	13	39	523	545
Government grants taken to income	62	-	-	-	62	9
Turnover from social housing lettings	45,088	4,778	847	1,049	51,762	51,858
Management	(7,468)	(3,281)	(486)	(34)	(11,269)	(10,131)
Service charge costs	(2,267)	(327)	(51)	(5)	(2,650)	(5,258)
Routine maintenance	(4,345)	(488)	(2)	(10)	(4,845)	(2,672)
Planned maintenance	(3,547)	(91)	-	-	(3,638)	(1,918)
Major repairs expenditure	-	-	-	-	-	(66)
Bad debts	(161)	(2)	(15)	(1)	(179)	(386)
Depreciation of housing properties	(7,476)	(1,016)	(176)	-	(8,668)	(8,698)
Other costs	(4,070)	(15)	(26)	(4)	(4,115)	(5,101)
Operating costs on social housing lettings	(29,334)	(5,220)	(756)	(54)	(35,364)	(34,230)
Operating surplus on social housing lettings	15,754	(442)	91	995	16,398	17,628
Void losses	229	120	51	-	400	402

3c Particulars of income from non-social housing lettings

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Market sales	**5,526**	17,046	**2,165**	7,434
Solar panel income	**295**	327	**295**	327
Investment property income	**32**	145	**15**	127
Rental income - commercial properties	**241**	-	**241**	-
Rental income - garages	**994**	-	**994**	-
Other	**294**	1	**293**	1
	7,382	17,519	**4,003**	7,889

4 Accommodation in management and development

At the end of the year accommodation in management for each class of accommodation was:

	Group		Association	
	2019	2018	**2019**	2018
	No of properties	No of properties	**No of properties**	No of properties
Social Housing				
General housing:				
- social rent	**7,245**	7,316	**7,245**	7,316
- affordable rent	**110**	56	**110**	56
Supported housing for older people	**758**	756	**758**	756
Low cost home ownership	**334**	266	**334**	266
Temporary social housing	**113**	105	**113**	105
Intermediate rent	**15**	15	**15**	15
Total social units owned:	**8,575**	8,514	**8,575**	8,514
Leased properties	**602**	599	**602**	599
Ground rent properties	**205**	206	**205**	206
Commercial properties	**37**	36	**37**	36
Market rent properties	**3**	6	**2**	5
Garages	**2,854**	2,922	**2,854**	2,922
Total non-social units owned	**3,701**	3,769	**3,700**	3,768
Total owned	**12,276**	12,283	**12,275**	12,282
Accommodation in development at year end	**49**	77	**49**	77

The Group owns seven supported housing units *(2018: seven)* that are managed on its behalf, under management agreements, by other bodies who contract with Supporting People Administering Authorities and carry the financial risk relating to the supported housing units.

The 2018 unit numbers have been restated. During the year, a review of all properties in management was undertaken. This lead to an additional 19 social properties in the 2018 disclosure. This affects our previously disclosed Cost Per Social Unit scorecard metric, decreasing it by £6.

5 Operating surplus

The operating surplus is arrived after charging/(crediting):

	Group		**Association**	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Amortisation of intangible Fixed Assets (note 13)	**129**	137	**124**	137
Depreciation of housing properties (note 14)	**8,757**	8,698	**8,757**	8,698
Depreciation of other tangible fixed assets (note 15)	**319**	438	**319**	438
Amortisation on Capital Grants	**(524)**	(545)	**(524)**	(545)
Auditors' remuneration (excluding VAT)				
Fees payable to the Association's auditors for the audit of financial statements	**7,382**	17,519	**4,003**	7,889
Audit of the financial statements subsidiaries	**5**	4	**-**	-
Fees payable to the association auditors for non-audit services	**37**	5	**37**	5
Total audit remuneration	**72**	42	**67**	38

6 Surplus on sale of fixed assets – housing properties

Group and Association

	Shared ownership	Other housing properties	**Total**	Total
	2019	2019	**2019**	2018
	£'000	£'000	**£'000**	£'000
Disposal proceeds	444	5,827	**6,271**	5,825
Cost of disposals	(199)	(669)	**(868)**	(969)
Recycled grant (note 23)	-	(24)	**(24)**	(176)
Community benefit fund (note 24)		(2,044)	**(2,044)**	(2,728)
Clawback agreement/deferred income	-	(563)	**(563)**	(126)
	245	2,527	**2,772**	1,826
Total deficit on sale of components	-	(1,015)	**(1,015)**	(539)
	245	1,512	**1,757**	1,287

7 Interest receivable and other income

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Interest receivable on deposits	**511**	346	**511**	346
Intercompany interest	**-**	-	**113**	324
Interest income from pension	**412**	393	**412**	393
Other interest income	**-**	30	**-**	30
	923	769	**1,036**	1,093

8 Interest and financing costs

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Defined benefit pension charge	**414**	403	**414**	403
Loans and bank overdrafts	**11,677**	11,352	**11,677**	11,352
Interest payable capitalised on housing properties under construction	**(633)**	(344)	**(633)**	(344)
Amortisation of bond premium	**(30)**	-	**(30)**	-
	11,428	11,411	**11,428**	11,411
Capitalisation rate used to determine the finance costs capitalised during the year	**3.9%**	3.3%	**3.9%**	3.3%

9 Employees

Average monthly number of employees expressed as full-time equivalents (FTE) calculated based on a standard working week of 37.5 hours:

Group and association – average number				
	2019	2018	**2019**	2018
	FTE	FTE	**No.**	No.
Business support	**38**	38	**42**	40
Housing	**34**	32	**35**	32
Direct labour	**71**	64	**83**	65
Supported Housing	**70**	74	**74**	93
Channel and communications	**28**	26	**30**	28
Development	**11**	11	**12**	11
	252	245	**276**	269

9 Employees (continued)

Employee costs:

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Wages and salaries	**9,439**	9,228	**9,400**	8,901
Social security costs	**905**	898	**901**	863
Other pension costs	**320**	561	**318**	539
	10,664	10,687	**10,619**	10,303

The Association's employees are members of the Local Government Pension Scheme (LGPS) or the General Stakeholder Scheme. Further information on the LGPS is given in note 27.

The full time equivalent number of staff who received remuneration, inclusive of loss of office, but exclusive of pension contributions:

	2019	2018
	No.	No.
£60,001 to £70,000	**5**	5
£70,001 to £80,000	**2**	3
£80,001 to £90,000	**1**	4
£90,001 to £100,000	**1**	1
£100,001 to £110,000	**1**	-
£120,001 to £130,000	**-**	-
£130,001 to £140,000	**-**	-
£140,001 to £150,000	**1**	1
£150,001 to £160,000	**-**	-
£160,001 to £170,000	**1**	-
£170,001 to £180,000	**-**	-
£180,001 to £190,000	**-**	-
£190,001 to £200,000	**-**	2
£200,001 to £210,000	**1**	-
	13	16

10 Board members and executive directors

Executive directors

						2019	2018
	Basic Salary	**Basic Salary**	**Loss of Office**	**Employer's Pension**	**Employer's NI**	**Total**	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	£'000
Chief Executive							
Chief Executive	**164**	**-**	**-**	**20**	**21**	**205**	195
Executive Director of Finance and Resources							
Cris McGuiness	**-**	**-**	**-**	**-**	**-**	**-**	114
Simon Rogers	**-**	**-**	**-**	**-**	**-**	**-**	77
Nazar Al-Khalili	**60**	**-**	**-**	**7**	**8**	**75**	11
Richard Blakey	**72**	**-**	**-**	**7**	**9**	**88**	-
Executive Director of Homes and Customer Experience							
Shaun Holdcroft	**66**	**-**	**-**	**5**	**8**	**79**	143
Anita Khan	**62**	**-**	**-**	**-**	**8**	**70**	-
	424	**-**	**-**	**39**	**54**	**517**	540

During the year, an amount of £22,620 *(2018: £10,278)* was paid to Housing Association Charitable Trust (HACT), which is a not for profit charity, of which Gavin Cansfield is the Chair of the Board. settle works with HACT on a range of initiatives to support the organisations development during challenging times for the sector. Gavin Cansfield received no financial benefit from these transactions nor involved in the decision to commission HACT.

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £184k *(2018: £176k)*.

Board members

	2019 Total	2018 Total
	£'000s	£'000s
Chair of Board		
Martin Nurse	**15**	13
Vice Chair		
Marie Li Mow Ching	**11**	9
Peter Lipman	**-**	4
Chair of Committee		
Elizabeth Froude	**6**	-
Philip Day	**5**	7
Board Members		
David Barnard	**1**	5
Christine Anthony	**7**	5
Stacey Brewer	**3**	5
Jane Gray	**1**	5
Victor Dove	**9**	5
Kay Vowles	**7**	5
Julian Baust	**7**	4
John Banks	**3**	-
Robert Barton	**4**	-
	79	67

11 Key management personnel

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

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Basic salary	**1,113**	963	**1,113**	963
Benefits in kind	**-**	1	**-**	1
Loss of Office	**37**	20	**37**	20
Employers NIC	**114**	121	**114**	121
Pension contributions	**50**	51	**50**	51
Total	**1,314**	1,156	**1,314**	1,156

12 Tax on surplus on ordinary activities

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Current tax				
UK corporation tax on surplus for the year	**(27)**	-	**(27)**	-
Adjustments in respect of prior years - (credit)/charge	**(5)**	7	**8**	7
Total tax on results on ordinary activities	**(32)**	7	**(19)**	7

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19% *(2018: 19%)*. The differences are explained as follows:

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Total tax reconciliation				
Surplus on ordinary activities before tax	**10,451**	12,028	**10,270**	12,931
Theoretical tax at UK corporation tax rate 19% *(2018:19%)*	**1,985**	2,285	**1,951**	2,456
- Expenses not deductible for tax purposes	**181**	268	**174**	268
- Income not taxable for tax purposes	**(2,152)**	(2,724)	**(2,152)**	(2,724)
- Deferred tax not recognised	**(41)**	171	**-**	-
- Adjustments made to tax charge in respect of previous tax periods	**(5)**	7	**8**	7
Total tax charge	**(32)**	7	**(19)**	7

Tax on surplus on ordinary activities

During the year, the UK corporation tax rate was decreased. Following Budget 2016 announcements there will be a further reduction in the main rate on corporation tax to 17% from 1 April 2020.

13 Intangible fixed assets

	Group	Association
	Software	Software
	£'000	£'000
Cost		
As at 1 April 2018	749	735
Additions	107	103
Disposals	-	-
As at 31 March 2019	**856**	**838**
Amortisation		
As at 1 April 2018	462	462
Amortised in the year	129	124
As at 31 March 2019	**591**	**586**
Net Book Value 2019	**265**	**252**
Net Book Value 2018	287	273

14 Fixed assets – housing properties

Group and Association – housing properties

	Social housing properties held for letting	Housing properties for letting under construction	Completed shared ownership housing properties	Shared ownership housing properties under construction	Total housing properties
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2018	397,769	2,917	21,790	8,205	430,682
Works to existing properties – Additions	3,757	12,559	-	6,895	23,211
Interest capitalised	-	492	-	108	600
Transfer to other asset categories	180	(247)	-	-	(67)
Schemes completed	9,253	(9,253)	7,670	(7,670)	-
Disposals	(3,193)	-	(234)	-	(3,427)
At 31 March 2019	**407,766**	**6,468**	**29,226**	**7,538**	**450,999**
Depreciation and impairment					
At 1 April 2018	74,236	-	-	-	74,236
Depreciation charged in year	8,757	-	-	-	8,757
Released on disposal	(1,392)	-	-	-	(1,392)
At 31 March 2019	**81,601**	-	-	-	81,601
Net book value					
At 31 March 2019	**326,165**	**6,468**	**29,226**	**7,538**	**369,398**
At 31 March 2018	323,534	2,917	21,790	8,205	356,446

The housing property stock is held at cost, at each year end the stock is externally re-valued by Jones Lang LaSalle using EUVSH valuation method. This valuation does not include uncharged properties.

	2019	2018
	£'000	£'000
Valuation	**508,020**	518,250

The valuation is partly based on rentals achievable so has slightly reduced in the year due to the -1% rent cut regime entering its final year.

Expenditure on works to existing properties

	Group		**Association**	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Improvement works capitalised	**3,757**	2,662	**3,757**	2,662
Amounts charged to income and expenditure	**2,673**	1,782	**2,673**	1,782
	6,430	4,444	**6,430**	4,444

14 Fixed assets – housing properties *(continued)*

Social Housing Grant

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Received or receivable at 31 March	**45,887**	45,956	**45,887**	45,956
Grants received and other transfers	**1,355**	-	**1,355**	-
Recognised in the Statement of Comprehensive Income	**(757)**	(69)	**(757)**	(69)
Held as deferred income	**46,485**	45,887	**46,485**	45,887

Finance costs

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Aggregate amount of finance costs included in the cost of housing properties	**5,639**	5,039	**5,639**	5,039

Impairment

The Group considers individual schemes to be separate Cash Generating Units when assessing for impairment, in accordance with the requirements of Financial Reporting Standard 102 and Housing Statement of Recommended Practices 2014.

15 Tangible fixed assets – other

			Group and Association			
	Freehold offices	**Long leasehold property**	**Computers and office equipment**	**Furniture, fixtures and fittings**	**Motor vehicles**	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	£'000
Cost						
At 1 April 2018	3,286	2,317	1,238	322	823	7,986
Additions	602	-	327	66	-	995
Transfer from property under construction	247	-	-	-	-	247
At 31 March 2019	4,135	2,317	1,565	388	823	9,228
Depreciation						
At 1 April 2018	670	860	889	118	749	3,286
Charged in the year	61	40	117	28	73	319
At 31 March 2019	731	900	1,006	146	822	3,605
Net book value						
At 31 March 2019	**3,404**	**1,417**	**559**	**242**	**1**	**5,623**
At 31 March 2018	2,616	1,457	348	204	74	4,699

16 Investment properties

Investment properties were valued as at 31 March 2019. The Group's investment properties have been valued by Stuart King from Davies King professional external valuers. The full valuation of property was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors as follows:

	Group		**Association**	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
At 1 April	**1,705**	1,700	**1,180**	1,175
Transfer to housing properties	**(180)**	-	**(180)**	-
(Decrease)/increase in value	**(25)**	5	**-**	5
At 31 March	**1,500**	1,705	**1,000**	1,180

The Group holds two residential properties to enhance development opportunities, these have since been rented as market rent properties with the intention to sell once the development opportunities have materialised.

One housing property at a cost of £35k with accumulated depreciation of £8k was held as short-term investment at the end of the year. The asset was transferred back to housing property immediately after the end of the financial year and as a result of the short-term nature of the transaction, has not been included in investment properties shown above. This property was estimated to have a market value of £325k as at 31 March 2019.

17 Investments

	Group and Association			
	Subsidiary undertakings	Associated undertakings	Cash and similar investments	Total
	£'000	£'000	£'000	£'000
Cost/valuation				
At 1 April 2018	-	-	7,312	**7,312**
Additions	-	20	-	**20**
Increase in valuation	-	-	34	**34**
At 31 March 2019	-	20	7,346	**7,366**

settle, the Association, owns all £100 of the issued share capital of Rowan (NHH) Limited.

The investments are charged as security for the Group's £86.3m bond with Harbour Funding Plc and are held by Royal Trust Corporation of Canada, the bond trustee on behalf of the Group. The investments were revalued at 31 March 2019 and are recorded in the accounts at the market value £7,346k at that date *(2018: £7,312k)*.

The principal undertakings in which the Association has an interest in are as follows:

Name	**Registered address**	**Proportion of ordinary share capital**	**Nature of business**	**Nature of entity**
Rowan Homes (NHH) Limited	Blackhorse Road, Letchworth Garden City, Hertfordshire, SG6 1HA	100%	Property developer	Incorporated company
MORhomes PLC	Floor 8, 71 Queen Victoria Street, London, EC4V 4AY	0.43%	Bond aggregator	Incorporated Company

These amounts relate to all costs and salaries incurred for Rowan Homes (NHH) specific schemes. 20% *(2018: 49%)* of all overheads were recharged from settle to Rowan Homes (NHH) to reflect the cost of management of development of properties.

18 Properties for sale

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Shared ownership first tranche development				
Completed Properties	**1,737**	192	**1,737**	192
Work in progress	**2,514**	2,593	**2,514**	2,593
	4,251	2,785	**4,251**	2,785
Properties developed for outright sale				
Completed properties	**-**	5,212	**-**	2,270
Work in progress	**7,132**	5,127	**5,374**	3,871
	11,383	13,124	**9,625**	8,926

19 Debtors

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Due within one year				
Rent and service charges receivable	**2,453**	1,899	**2,453**	1,899
Less: provision for bad and doubtful debts	**(1,414)**	(1,258)	**(1,414)**	(1,258)
	1,039	641	**1,039**	641
Amounts due from Group undertakings	**-**	-	**2,100**	4,677
Other debtors	**636**	777	**573**	760
Corporation tax	**32**	30	**19**	30
Prepayments and accrued income	**1,366**	1,073	**1,366**	1,073
	3,073	2,521	**5,097**	7,181

Social housing rental arrears were 2.55% at the end of the year *(2018: 2.12%).*

The intra-Group balances are loans made to Rowan Homes (NHH) Limited (note 33); they are charged interest at 4.12% *(2018: 4.12%)*. The final repayment date of the loan is 30 September 2019 and is repayable by the borrower upon the demand of the lender at any time or as otherwise agreed between the borrower and the lender.

20 Creditors: amounts falling due within one year

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Debt (note 26)	**4,500**	4,500	**4,500**	4,500
Trade creditors	**1,108**	1,355	**1,108**	1,355
Rent and service charges received in advance	**1,604**	1,417	**1,604**	1,417
Recycled capital grant fund (note 23)	**108**	-	**108**	-
Disposal proceeds fund(note 25)	**1,000**	-	**1,000**	-
Community benefit fund (note 24)	**12,797**	10,753	**12,797**	10,753
Deferred capital grant (note 22)	**531**	594	**531**	594
Other taxation and social security	**219**	212	**219**	212
Unpaid contributions for retirement benefits	**74**	65	**74**	65
Other creditors	**102**	108	**102**	104
Accruals and deferred income	**6,218**	4,729	**6,058**	4,554
	28,261	23,733	**28,101**	23,554

21 Creditors: amounts falling due after more than one year

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Debt (note 26)	**278,200**	282,668	**278,200**	282,668
Deferred bond premium	**752**	783	**753**	783
Derivative fair value	**46,836**	45,236	**46,836**	45,236
Recycled capital grant (note 23)	**211**	631	**211**	631
Deferred capital grant (note 22)	**45,954**	45,293	**45,954**	45,293
Disposal proceeds fund (note 25)	**15**	1,308	**15**	1,308
Deferred income	**-**	1,199	**-**	1,195
	371,968	377,118	**371,969**	377,114

This note has been restated to take into account the Disposal Proceeds Fund (note 25) which was previously disclosed as a contingent liability.

22 Deferred capital grant

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
At 1 April	**45,887**	45,956	**45,887**	45,956
Grants received	**705**	697	**705**	697
Released to income in year	**(748)**	(766)	**(748)**	(766)
Grant recycled (note 23)	**(9)**	-	**(9)**	-
Allocated to development (note 23)	**348**	-	**348**	-
Allocated to development (note 25)	**302**	-	**302**	-
At 31 March	**46,485**	45,887	**46,485**	45,887

23 Recycled capital grant fund

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
At 1 April	**631**	456	**631**	456
Recycled from disposals	**24**	175	**24**	175
Recycled from deferred grant (note 22)	**9**	-	**9**	-
Interest in year	**3**	-	**3**	-
Allocation to development	**(348)**	-	**(348)**	-
At 31 March	**319**	631	**319**	631

Of the amounts noted, none are due for repayment *(2018: £nil)*.

24 Community benefit fund

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
At 1 April	**10,753**	8,002	**10,753**	8,002
Net sales proceeds recycled	**2,044**	2,727	**2,044**	2,727
Repayment of discount	**-**	24	**-**	24
At 31 March	**12,797**	10,753	**12,797**	10,753

In 2003, settle was the recipient of a Large Scale Voluntary Transfer (LSVT) of housing properties from North Hertfordshire District Council. In exchange for receiving so many homes at significant discount, settle agreed to restrict income from any subsequent sales to a predefined low value until 2030. The remaining proceeds from each sale are recognised here as a creditor, repayable on demand.
The signed agreement states that these funds can only be spent on developing new social housing or associated community facilities within the local area.

25 Disposal proceeds fund

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
At 1 April	**1,308**	1,298	**1,308**	1,298
Interest	**9**	10	**9**	10
Allocated to development (note 22)	**(302)**	-	**(302)**	-
At 31 March	**1,015**	1,308	**1,015**	1,308

26 Loans and borrowings

Debt analysis

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Not later than 1 year				
Bank loans	**4,500**	4,500	**4,500**	4,500
Later than 1 year 5 not later than five years				
Bank loans	**182,300**	186,800	**182,300**	186,800
Harbour Funding Plc.	**86,336**	86,336	**86,336**	86,336
GBSH bond	**10,000**	10,000	**10,000**	10,000
Total due after more than one year	**278,636**	283,136	**278,636**	283,136
Total borrowing commitments	**283,136**	287,636	**283,136**	287,636
Less amortised borrowing costs	**(436)**	(468)	**(436)**	(468)
Total loans	**282,700**	287,168	**282,700**	287,168

Security

The bank loans and bonds are secured by fixed charges on individual properties.

Terms of repayment and interest rates

The bank loans are repayable in instalments from 2019 to 2044, floating rates based on monthly LIBOR plus a margin between 33bpts and 210bpts.

The bonds are repayable in 2038 and 2044, at fixed rates of interest between 5.18% and 5.2%.

At 31 March 2019 the Group had undrawn loan facilities of £8.7m *(2018: £8.7m)*. The Group negotiated an extension of the drawdown date for the £8.7m to September 2019.

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Within one year or on demand	**4,500**	4,500	**4,500**	4,500
One year or more but less than two years	**6,300**	7,000	**6,300**	7,000
Two years or more but less than five years	**23,000**	16,200	**23,000**	16,200
Five years or more	**249,336**	259,936	**249,336**	259,936
	283,136	287,636	**283,136**	287,636

27 Pensions

Local Government Pension Scheme (LGPS)

The LGPS is a multi-employer scheme, administered by Hertfordshire County Council under the regulations governing the LGPS, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2019 by a qualified independent actuary.

The LGPS is closed to employees who join the Group after 31 March 2003. The liability in respect of past service for transferring members as at 31 March 2003 is to remain with North Hertfordshire District Council. The market value of the scheme's assets as at 31 March 2003, and any deficit or surplus relating to revaluation of these assets, are reflected in the financial statements of North Hertfordshire District Council.

The employer's contributions to the LGPS by the Group for the year ended 31 March 2019 were £180k (*2018: £183k)* at a contribution rate of 21.2% of pensionable salaries.

Principal actuarial assumptions:

Financial assumptions

	31 March 2019 % per annum	31 March 2018 % per annum
Discount rate	**2.4%**	2.7
Future salary increases	**2.6%**	2.5
Future pension increases	**2.5%**	2.4

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2019 and March 2018 are based on the CMI 2013 model assuming current rates of improvement have peaked and will converge to a long-term rate of 1.25% per annum.

The assumed life expectations on retirement at age 65 are:

	2019	2018
	No. of years	No. of years
Retiring today:		
Males	**22.5**	22.5
Females	**24.9**	24.9
Retiring in 20 years:		
Males	**24.1**	24.1
Females	**26.7**	26.7

27 Pensions *(continued)*

Amounts recognised in surplus or deficit

	2019	2018
	£'000	£'000
Current service cost	335	352
Amounts changed to operating costs	**335**	352

	2019	2018
	£'000	£'000
Expected return on scheme assets	(412)	(393)
Interest on scheme liabilities	414	403
Amounts credited to other finance costs	**2**	10

Reconciliation of opening and closing balances of the present value scheme liabilities

	2019	2018
	£'000	£'000
Opening scheme liabilities	**(16,995)**	(15,612)
Current service cost	(335)	(352)
Interest cost	(414)	(403)
Remeasurements	154	(1,170)
Benefits paid	651	552
Provision	-	(10)
Closing scheme liabilities	**(16,939)**	(16,995)

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

	2019	2018
	£'000	£'000
Opening fair value of plan assets	**15,503**	15,296
Interest income	412	393
Return on plan assets (in excess of interest)	742	183
Contributions by employer	180	183
Benefits paid	(651)	(552)
Closing fair value of plan assets	16,186	15,503

	2019	2018
	£'000	£'000
Net pension liability	**(753)**	(1,492)

During the period between pension valuation and publication of these financial statements, new guidelines were issued for pension liability recognition, following a December 2018 tribunal appeal which overturned a previous ruling relating to age related entitlements. While the outcome of the case has been formally challenged in Court, settle recognises that there may be an increase to the pension liability. After consultation with actuaries, settle are satisfied that the amounts are not materially different to those published herein.

27 Pensions *(continued)*

	2019	2018
	£'000	£'000
Remeasurements	**154**	(1,170)
Return on plan assets (in excess of interest)	**742**	183
Actuarial gain/(loss) in respect of pension schemes	**896**	(987)

Major categories of plan assets as a percentage of total plan assets

	2019	2018
	%	%
Equities	**50**	59
Bonds	**38**	28
Properties	**8**	8
Cash	**4**	5

28 Non-equity share capital

The shares provide the members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up.

	2019	2018
	No.	No.
Number of members		
At 1 April	**8**	10
At 31 March	**8**	10

29 Cash flow from operating activities

	2019	2018
	£'000	£'000
Surplus for the year	**21,136**	20,285
Adjustments for non-cash items:		
Depreciation of intangible fixed assets (note 13)	**128**	136
Depreciation of tangible fixed assets housing properties (note 14)	**8,757**	8,698
Depreciation tangible fixed assets Other fixed assets (note 15)	**319**	438
Amortisation of grant income	**(524)**	(545)
Surplus on disposals of fixed assets	**(1,757)**	(1,287)
Surplus of revaluation of fixed assets	**25**	-
Decrease in wok-in-progress	**1,739**	14,628
Decrease/(increase) in stock	**64**	(78)
Increase in trade and other debtors	**(483)**	(222)
Increase in trade and other creditors	**(378)**	3,674
Increase/(decrease) in pension provisions	**-**	(750)
Net cash generated from operating activities	**29,026**	44,977

30 Capital commitments

	Group		**Association**	
	2019	2018	**2019**	2018
Capital expenditure	**£'000**	£'000	**£'000**	£'000
Expenditure contracted for but not provided in the accounts	**25,854**	11,818	**25,854**	10,794
Expenditure authorised by the Board, but not contracted	**47,928**	28,267	**38,724**	25,205
	73,782	40,085	**64,578**	35,999

Expenditure contracted for but not provided is comprised of development and contracts to replace or update kitchens and bathrooms. Expenditure authorised but not contracted is the ongoing program of kitchen and bathroom replacement.

The above commitments will be financed primarily through operating cashflows, borrowings and any Social Housing Grant obtained in the year.

31 Operating leases

The Group has not entered any operating leases *(2018: none)*.

32 Contingent assets/liabilities

A potential contingent liability exists at year end in respect of the historical collection of water and sewage charges from tenants. The potential liability is in the region of £1.8 million. *(2018: £1.8m)*.

33 Related parties

Related party disclosures
The ultimate controlling party of the Group is settle Group – Registered Social Housing Provider. There is no ultimate controlling party of settle Group.

Subsidiary and associated companies
settle has no regulated subsidiary or associated undertakings. The following transactions that took place between the group and its non-regulated associated companies during the year were:

	Rowan Homes (NHH) Limited			MORhomes PLC	
	2019	2018		**2019**	2018
	£'000	£'000		**£'000**	£'000
Net cash inflow from non-regulated entities in the group	**2,293**	6,983		**-**	-
Interest	**113**	323		**-**	-
Overheads	**171**	635		**-**	-
	2,577	7,941		**-**	-

Development costs are allocated on actual amount incurred on accrual basis. Interest on intercompany loan balances was charged at 4.12% *(2018: 4.12%)*.
Intercompany balances at the end of the year were as follows:

	Rowan Homes (NHH) Limited			MORhomes PLC	
	2019	2018		**2019**	2018
	£'000	£'000		**£'000**	£'000
Amount due from/(to) in respect of loans	**2,100**	4.677		**-**	-

The intercompany balance due from the subsidiary undertaking is repayable on demand.

The Board includes one tenant member who holds a tenancy agreement on normal terms and cannot use their position to their advantage. The rent charged for the year was £9,208 *(2018: £8,743)* and the tenant had a credit balance of £18 *(2018: £48)* at 31 March 2019.

During the year compensation of £37k *(2018: £20k)* was paid to key management personnel for loss of office.

One of the current Board members is a Key Management Personnel of HACT, a charity that supplied goods and services totalling £22,620 *(2018: £10,278)* to settle Group during the year.

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