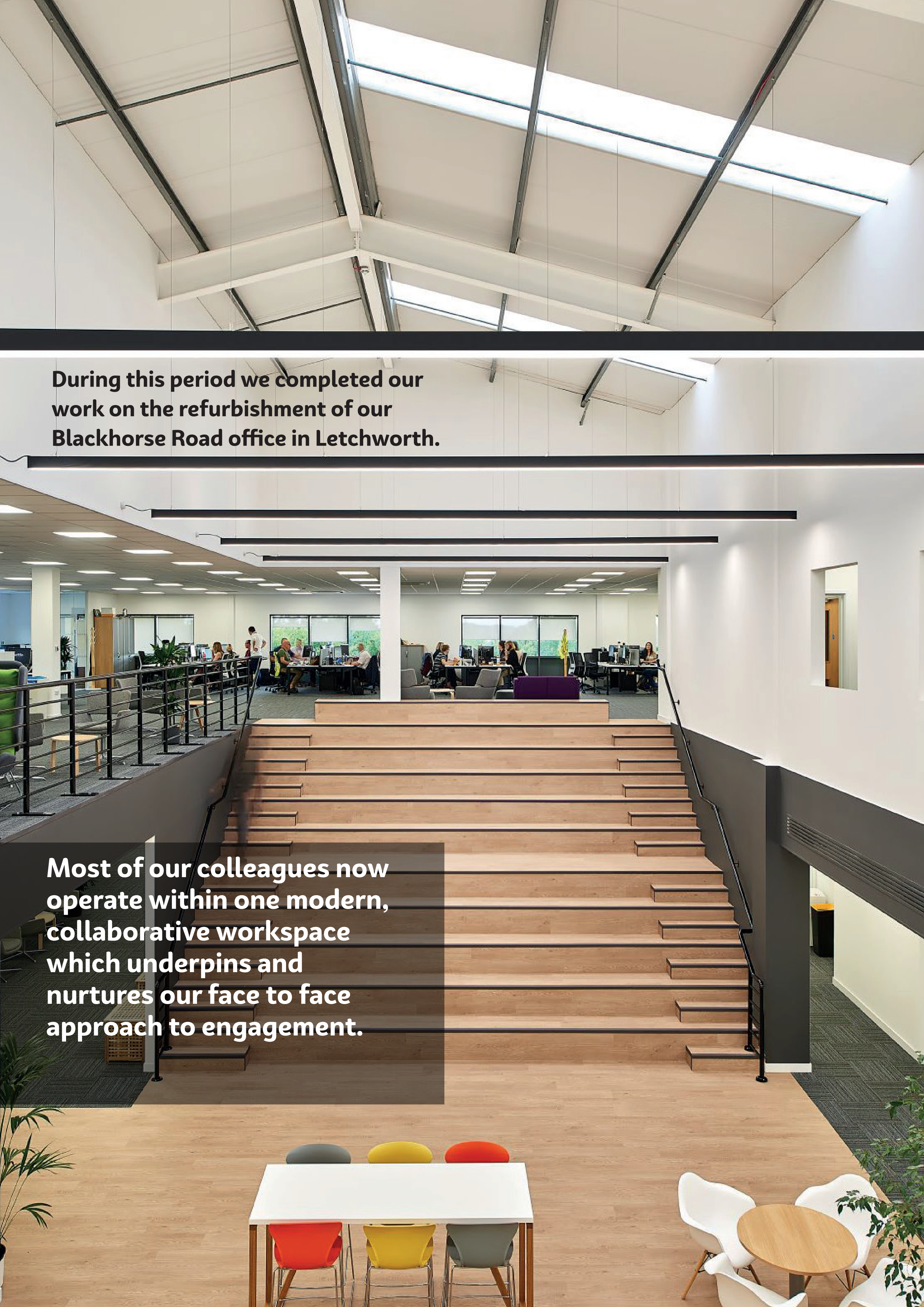
Annual report and financial statements for the year ended 31 March 2020

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

settle



During this period we completed our work on the refurbishment of our Blackhorse Road office in Letchworth.

Most of our colleagues now operate within one modern, collaborative workspace which underpins and nurtures our face to face approach to engagement.

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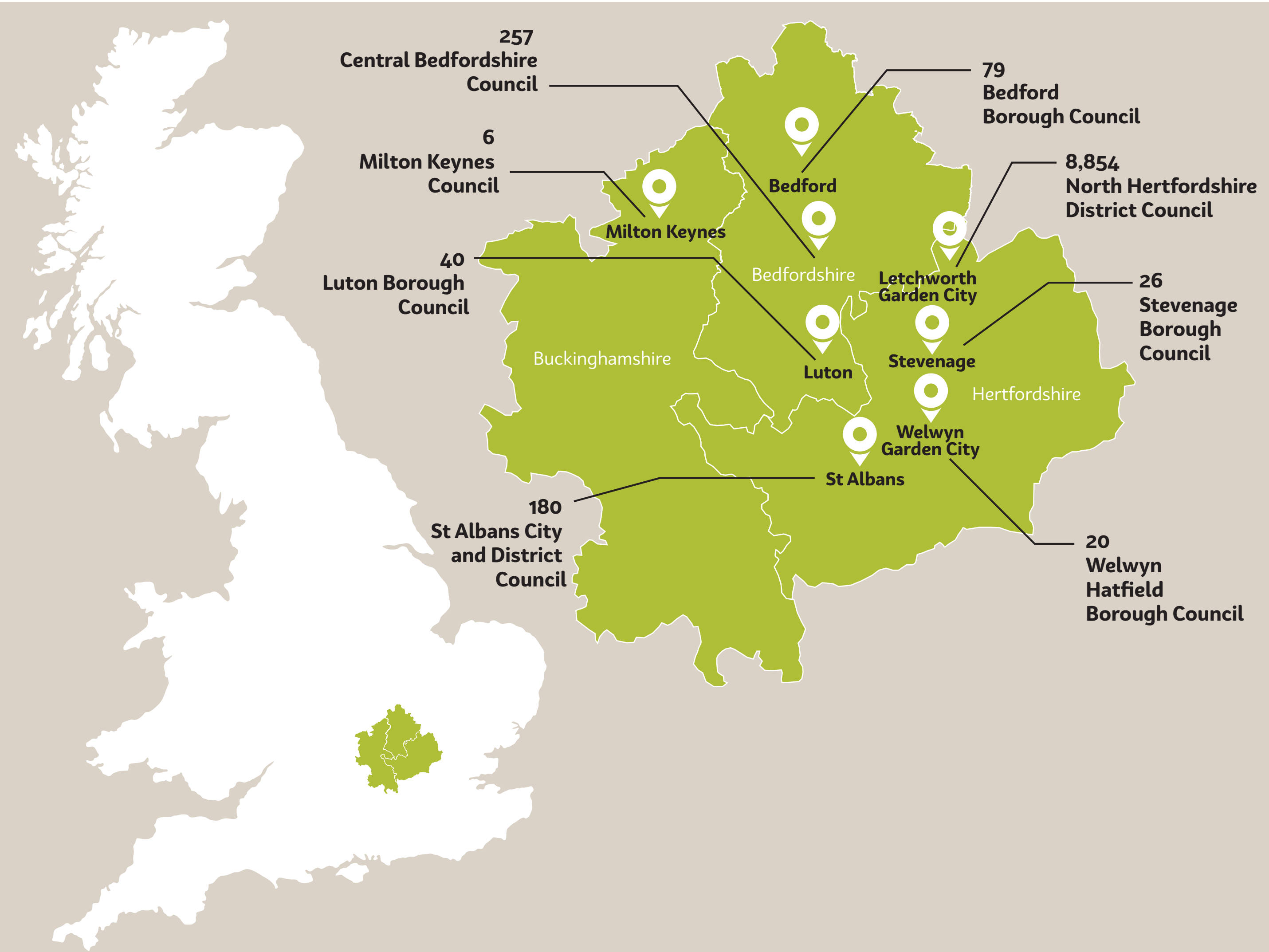
settle at a glance

We are a vibrant, dynamic organisation with a clear purpose 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 trusted, 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 9,462 homes of which 8,645 are social, mainly across Hertfordshire and Bedfordshire. The map below shows where the properties we own are located. Our homes are a mix of tenures with 7,398 general needs homes, 754 supported housing for older people, 110 temporary social housing homes, 383 shared ownership and 817 leased homes (including 207 ground rent properties).



Our development pipeline will ensure that we continue to play our part in helping people find a place to live. During 2019/20, we delivered an additional 97 homes across a range of tenures and completed a further 16 homes which were not handed over due to the COVID-19 restrictions.

Our ambition is to develop at least 1,500 good quality affordable homes over the next five years with 90% being either affordable rent or shared ownership. As at the 31st March 2020, we already have 831 homes committed against that target.

Our highlights

Financial key metrics

£64.1m
Group turnover

£20.1m
Operating Surplus

31.3%
Operating margin

£7.5m
Invested in improving our existing homes

£39.6m
Invested in creating new homes

285%
Interest cover

Operational performance

18 days
Average days to complete a non-emergency repair

99.4%
Emergency repairs completed to deadline

2.29%
Net arrears position

6.3 / 4.3
Customer Trust / Effort scores

76%
Colleague Trust score

97
New homes delivered

9,462
Homes owned or managed

G1/V1
Regulator of Social Housing ratings reaffirmed

>£2.5m
Social value generated (HACT methodology)

Chair's statement

A business that is strong for today and for tomorrow

At the time of writing this report, settle continues to be in the middle of responding to the challenges that COVID-19 has brought to our customers and colleagues. The social and economic consequences of the crisis have been huge and have particularly impacted on our residents, many being low income people in less secure working circumstances. We have seen the strength of the organisation coming to the fore in the speed of response and adaptation to an unprecedented situation.

Our strength as a non-profit housing association with deep roots in communities, combined with our financial strength, has shone through in our navigating of the disruption and responding to our residents and customers. We have seen how powerful our internal culture and the values that we hold as an organisation have been in harnessing energy and drive in extremely rapid change and confronting unforeseen challenges. Our colleagues have been magnificent in the way in which they have supported customers with continued repairs and services that are safe for all.

This has given us renewed confidence that the strategic direction we are heading in is the right one for now and for the future. This direction is made up of a series of elements:

- Building many more affordable, good quality homes
- Our emphasis on residents as our customers and good customer service
- Focussed geography to facilitate partnerships, efficiency and effectiveness
- The strength of our culture
- The commitment of colleagues to our sense of social purpose

Our overall financial strength has provided us with the firm foundations to deliver our ambitions. We consistently produce good surpluses (over £20m operating surplus achieved each year since 2016), which are used to power our development and regeneration programmes, and in this financial year, we successfully agreed a deed of variation on our transfer agreement from North Herts District Council; unlocking in excess of £100m of charging value from our assets. This strong position has enabled us to achieve attractively priced new finance at the start of 2020/21 of £75m.

We have also maintained our commitment to our existing homes during the year. Examples have included;

- £20m committed investment to regeneration at John Barker Place in Hitchin, which will include the re-provision of supported housing accommodation, new homes, shops and a play area;
- increased investment of £16m in our existing homes over the next 5 years so that our properties remain safe and comfortable as well as seeking to ensure they meet Government's energy efficiency targets;
- Revised the scope of our estate services to improve the quality of the external environment of our estates and neighbourhoods.

This autumn I step down as Chair of settle. It has been a great privilege to lead the governance of settle over the last 6 years helping to steer the organisation through times of substantial change.

We extend a very warm welcome to Sally Veitch, who brings a wealth of experience and expertise from outside the sector and fresh thinking as the new Chair.

For me, settle now has the potential to be one of the best housing associations in the sector - providing well designed affordable homes, very good customer focussed services and with deep roots in the communities where we work with our partners and stakeholders.

I would like to extend my deepest personal thanks to the Board, Executive and all our colleagues at settle who I have had the pleasure of working alongside in the last few years. I very much appreciate the contribution that everyone has made to our success. I have every confidence in settle's continuing achievement in the future and going from strength to strength.

Martin Nurse
settle Chair

Chief Executive's statement

At settle our purpose 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. As the country comes together to cope with the current pandemic that purpose seems ever more relevant. Many of our customers and colleagues are struggling to come to terms with the impact of this crisis; the need to provide comfort – both physical and mental - remains absolutely central to our philosophy.

Whilst our purpose has stayed the same our strategy has evolved. This year the Board approved our new 2019-2024 strategy focusing on what we do and the way we do it. We remain committed to delivering services our customers really value, that our colleagues are proud of and based on the partnerships with our stakeholders.

The strategy puts the resident at the centre of what we do; relentlessly getting the basics right and ensuring that services are based on what our customers value through data and engagement. Last year we launched our Big Door Knock where our colleagues met with 420 of our customers in their own homes to learn first-hand about what they like about settle as a landlord and what it is we can improve on.

We balance that focus on the customer with our approach to colleague engagement. They are passionate about our social purpose, not just the day job but giving something back to customers and communities. During 2019/20, colleagues delivered 114 'giving back days', volunteering their time across a range of activities from renovating a school playground, helping at food banks and supporting reading in schools and libraries. This has provided support to so many local charities and community groups and is something that I look at with great pride.

Our new strategy makes clear our continued commitment to build more homes and help contribute to solving the housing crisis in the areas where we work. Progress has been swift in meeting this challenge with 831 committed homes already in the pipeline. But, it's not just the number that's important to us; quality and affordability are fundamental to our ambition. We want to ensure our homes have great space standards and are built to high levels of environmental sustainability.

All in all, this year has been one of good performance based on strong foundations. Throughout these financial statements, you will read about our response to the lockdown measures introduced by Government to deal with the COVID-19 pandemic. This includes how we moved swiftly to implement our business continuity plans, engaged with our customers to see how we could provide additional support and the impacted upon our in-year financial and operational targets.
The strength of these foundations has enabled us to respond robustly to the challenges of COVID-19; ensuring that we continue to support our most vulnerable customers and continue to deliver our purpose at a time when it is needed most.

This autumn marks the end of Martin Nurse's tenure as our Chair. On behalf of everyone at settle, I'd like to thank Martin for his dedication and support over the last six years and wish him all the very best in the future.

Gavin Cansfield
Chief Executive

Looking forward

Our new strategy sets out our ambition of not only what we want to have delivered by 2024, but crucially how we deliver it.

Our strategic objectives around delivering good services and developing more homes is consistent with many housing associations; but we want settle's unique selling point to be how we deliver our services. This is about being a landlord that our customer trust and that our services are designed around good quality data and feedback from face to face engagement. It is also about ensuring that we continue to provide safe, secure and high-quality housing that remains genuinely affordable to people struggling to find a place to live.

Our colleagues are key to realising this ambition. They are passionate about our social purpose and ensuring we give something back to customers and communities. Together with listening to the voice of colleagues; what they see and hear will help underpin our continuous improvement of services.

During this period of uncertainty, it is difficult to determine the extent of the longer-term economic impact that COVID-19 will cause and therefore we are yet to see with any clarity what the policy horizon will look like. Nevertheless, the fundamentals of the housing crisis remain the same; research commissioned by the National Housing Federation (NHF) and Crisis identified a need for 340,000 homes each year in England to 2031, including a need for 145,000 affordable homes – comprising 90,000 homes for social rent, 30,000 for intermediate rent, and 25,000 for shared ownership.

Therefore, our strategy of providing good quality homes and doing our share to helping the housing crisis will remain vital in the years ahead. As a well-run social business with a clear strategy, we are well-placed to play our part in solving the housing crisis and building places where our residents can thrive.

Delivering more homes

We recognise the important role we must play in responding to housing need across Hertfordshire and Bedfordshire and new strategy commits us to delivering 1,500 homes over the next five years.

We are committed to our core purpose and 90% of homes that we plan to build will be affordable; either rent or shared ownership. There is a clear focus to our shared ownership product; providing homes that are genuinely affordable for those struggling to get onto the property ladder.

Our ambition is more than just numbers and we remain committed to providing good quality, sustainable homes. Our aim is that all our new homes will have a target EPC rating of 'B', ensuring they are fit for the future.

We know that home extends beyond the front door. 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 a flagship regeneration project; we have committed £20m of investment, that will include the re-provision of retirement accommodation, new homes, shops and a play area. In January 2020, we received initial planning permission and look forward to the work commencing in 2020/21.

A well-run social business

Continuing to be a well-run social business remains a fundamental aspect of our strategy. This reflects four key areas of focus:

- Being a business that knows the cost and value of everything. We will further develop our value for money framework during 2020/21 that maintains a focus on the efficiency and effectiveness of our services and helps strike the balance between our development ambitions, delivery of our landlord function and our wider social purpose.

- Using our data on costs and performance to target year on year efficiencies to our cost base; with a clear focus on measuring and monitoring whether these efficiencies are realised.

- Investing in our assets, ensuring that our asset management programme is fully funded within our long-term business plan This will ensure we continue to provide good homes that reflect the needs of customers.

- Social purpose is at the core of settle. We are ambitious about running our business to produce sufficient levels of surplus that enable the delivery of this social purpose.

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

We will continue our unremitting focus on being a landlord that gets the basics right and provides services that are easy to access.

Our approach to delivery of services will focus on the voice of the customer – ensuring that our services reflect what our customers value driven by data and engagement. We will review our approach to learning from when things go wrong so that we focus more on resolution and less on process.

We will also create places where customers thrive by looking at ways in which we can combat loneliness, help with education and work to support them in the life they choose.

Developing a place where colleagues love to work

During 2020/21, we will begin to see excellent outcomes through the delivery of our People Strategy. The focus will be on:

- Nurturing the talent of colleagues with great opportunities to grow, develop and contribute to our pioneering spirit.
- Embedding ways in which we listen to the voice of our colleagues and use it to drive improvement in our service delivery.
- Increasing the amount of giving back time that colleagues can provide to our communities; reaffirming the value of our social purpose that lies at the heart of settle.

Our operating context

We constantly review our operating environment; identifying the impact of change and emerging trends. Examples include;

- Continuing our engagement with Homes England to maximise opportunities to use grant funding and support our ambition to focus on developing good quality, genuinely affordable properties.

- The regulatory focus is likely to intensify around building safety, openness and transparency and demonstrable forms of customer engagement building upon 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.

- The economic challenges facing the country following COVID-19 has the potential to create long term challenges to the stability of our business. We will continue to monitor the impact through our regular stress testing of our business plan and be ready to take mitigating steps should this be appropriate.

- Our approach to working with our most vulnerable customers will be vital in ensuring we support them through the impact of COVID-19.

- The way in which we work is likely to change as a result of COVID-19. We will be looking at how we adapt whilst staying faithful to our values.

- 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.

Our response to COVID-19

Like all organisations, settle has had to respond quickly to the impact of COVID-19. This section of the strategic report identifies some of the steps we have taken.

Finance and treasury

Additional cash was drawn from our revolving credit facility and held at bank to counter potential liquidity risk. Detailed stress testing of the business plan in response to the impact of COVID-19 was undertaken which provided assurance that our long-term business plan was strong but also helped embed performance triggers to monitor performance and to time any potential recovery plans. All of our key income and cost assumptions have been stressed to the worst case but plausible scenarios to assess the potential financial impact of the pandemic. Even in the worst scenario, significant covenant headroom remains, and financial performance remains strong.

Service Delivery

We activated our business continuity plan and moved to prioritising emergency and essential services only: (emergency repairs, landlord compliance, income collection, estate services, safety and wellbeing checks, and remote tenancy support. During June, we transitioned back towards a fuller provision of service to customers.

Our sense of social purpose came to the fore. Using the knowledge of our residents and their needs, we contacted all of our residents by phone or by questionnaire to see how we could help them.

Performance monitoring

Changes to the scrutiny of performance was introduced across the business. Performance against key COVID performance has been presented on a weekly or fortnightly basis and reviewed by the Executive and Leadership Team. This also ensured clear oversight on whether any performance triggers were close to being reached. No performance trigger has been met.

These measures, inevitably, had an impact on the performance of the organisation. The hiatus in the housing market affected both sales in the final month of the period and sales after the year end. In total we completed 81 sales in the year compared with a budget of 89. This also had the impact of increasing the levels of unsold properties on our balance sheet at the year end.

Five-year summary

The five-year summary shows our continually strong financial position. In the five years from 2016, the business has demonstrated good operating surpluses from a consistent landlord business. Changes in turnovers between years reflects market sales activity that had been in our pipeline; our new approach will provide a smoother turnover increase as we progress.

Consolidated Statement of Comprehensive Income	**2016 £000's**	**2017 £000's**	**2018 £000's**	**2019 £000's**	**2020 £000's**
Total Turnover	83,980	70,710	78,008	68,049	64,122
Turnover from lettings	51,519	52,114	51,858	51,763	52,627
Operating Surplus	22,538	23,042	20,286	21,136	20,071
Net Surplus	11,064	12,627	12,030	10,483	14,664
Total Comprehensive surplus/(deficit)	**10,389**	**11,768**	**14,119**	**9,994**	**1,535**
Consolidated Statement of Financial Position					
Housing Properties, net of depreciation	361,110	355,666	356,446	369,398	396,742
Other Fixed Assets, net of depreciation	6,225	5,230	4,986	5,888	5,245
Investments	8,364	9,205	9,017	8,866	8,948
Total Fixed Assets, net of depreciation	**375,699**	**370,101**	**370,449**	**384,152**	**410,935**
Net Current Assets	**33,892**	**57,936**	**62,917**	**53,319**	**23,425**
Creditors (due over one year)	379,744	387,084	377,117	371,968	368,075
Pension Liability	978	316	1,492	753	-
Total Non-Current Liabilities	**380,722**	**387,400**	**378,609**	**372,721**	**368,075**
Total Net Assets	**28,869**	**40,637**	**54,756**	**64,750**	**66,285**
Reserves					
Revaluation/hedging	-31,445	-33,067	-29,991	-31,376	-45,447
Revenue	60,314	73,704	84,747	96,126	111,732
Total reserves	**28,869**	**40,637**	**54,756**	**64,750**	**66,285**
Total Funding included in creditors due over one year	285,636	287,636	283,136	278,636	260,836
Accommodation figures: Total properties at year end					
Social Housing	8,492	8,463	8,514	8,575	8,645

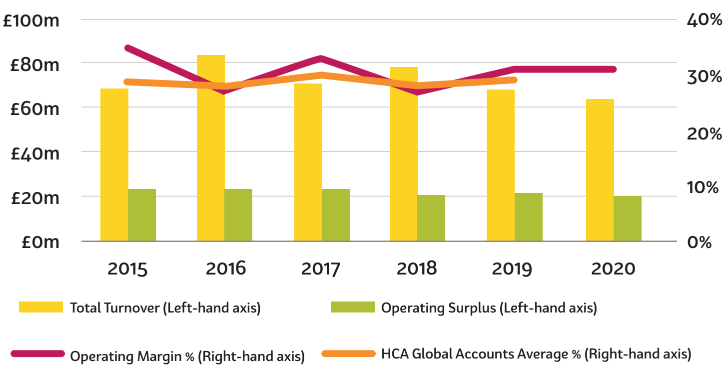
Over the last five years, operating surpluses have ranged between £20.1m and £23.0m, with our operating margin reaching 31.3% in 2020. This represents a consistently strong operating performance during a backdrop of economic and political uncertainty and is a key strength of settle as a business. Fundamental to this has been the delivery of our core social housing lettings activities which have maintained a strong performance even during the period of 1% reduction to social housing rents.

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 and the market value of financial instruments.

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

Turnover and surplus



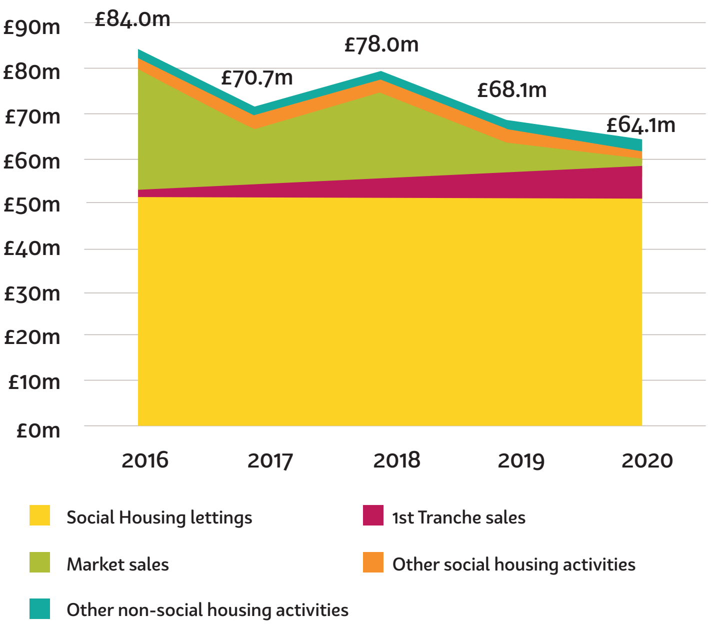
(LH denotes use of the left-hand side axis, RH denotes use of right-hand side axis)

	2016	2017	2018	2019	2020
Total Turnover	£84.0m	£70.7m	£78.0m	£68.0m	£64.1m
Operating Surplus	£22.5m	£23.0m	£20.3m	£21.1m	£20.1m
Operating Margin	26.8%	32.6%	26.0%	31.1%	31.3%
Global Accounts Average	27.6%	29.6%	27.6%	28.3%	n/a

Our turnover for the five-year period to 2020, 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 and have been consistently above the global average.

Turnover breakdown



82% of our turnover in 2020 relates to social housing activity.

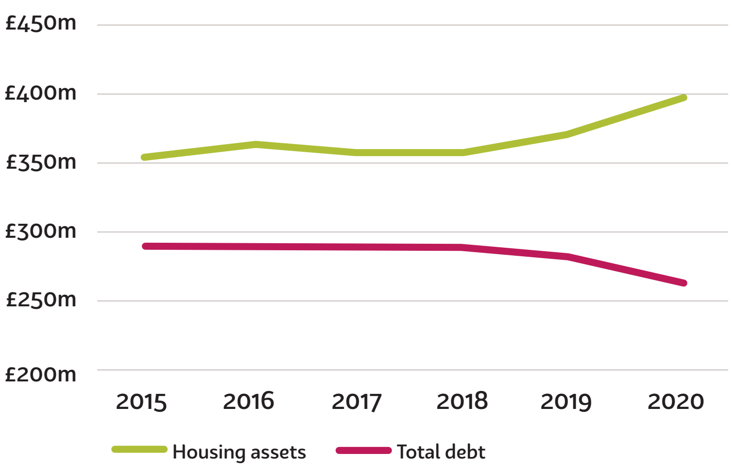
Social housing lettings remains our primary income stream, and performance has been stable despite the backdrop of the four-year rent reduction regime.

The reduction in other social housing activities reflects a reduction in asset disposals. We don't have a disposals target and are not reliant on existing asset sales to be cash generative.

	2016	2017	2018	2019	2020
Social Housing Lettings	£51.5m	£52.1m	£51.9m	£51.8m	£52.6m
1st tranche shared ownership	£1.9m	£2.8m	£4.6m	£6.5m	£6.8m
Other social housing activities	£3.8m	£3.7m	£4.0m	£2.4m	£1.1m
Other non-social housing activities	£0.4m	£0.6m	£0.5m	£1.9m	£1.8m
Market sale	£26.3m	£11.4m	£17.0m	£5.5m	£1.8m

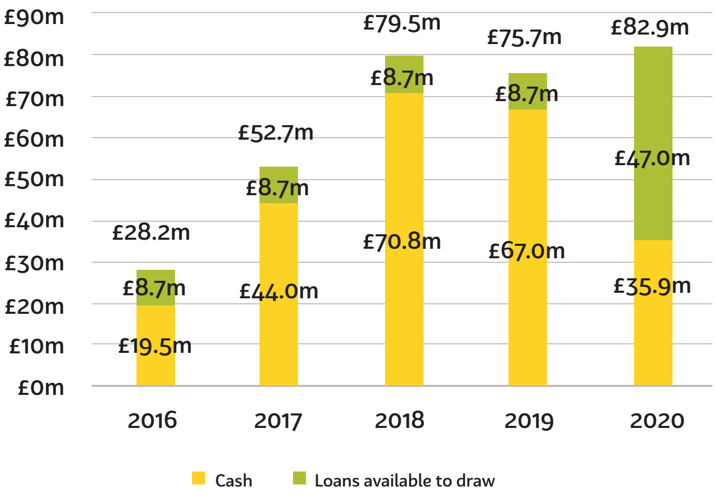
Assets and debt

	2016	2017	2018	2019	2020
Housing Assets	£361m	£356m	£356m	£369m	£397m
Drawn Debt	£288m	£288m	£288m	£283m	£265m



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 1,500 homes by the end of 2023/24.

Liquidity

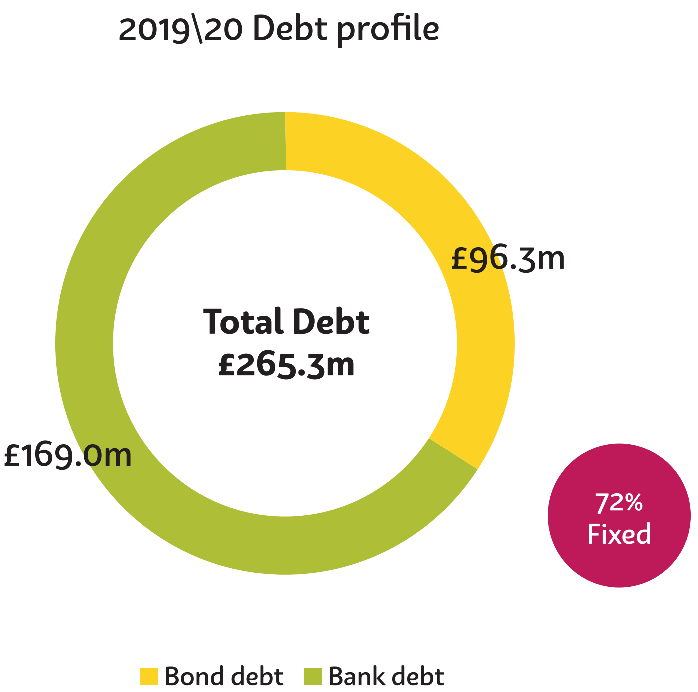


settle's treasury strategy includes strict liquidity targets to ensure that sufficient liquidity is in place to fund at least 18 months of future commitments.

As at 31st March 2020, our liquidity headroom was £82.9m. 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 £265.3m 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. This position excludes the fundraising exercise undertaken post year end where we have further increased our available facilities.

72.1% 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.

Operating review

Investment in existing assets

As our financial review demonstrated, settle is a business that is fundamentally focussed on affordable housing. Provision of genuinely affordable rented homes remains the core component of the business; it represents 91% of our stock and 82% of Group turnover.

As our corporate strategy sets out, delivering good services is of huge importance to us and this means that we continue to invest in our existing stock. During the year, capital works invested £7.5m (2018/19: £3.8m) in maintaining and improving existing homes with a particular focus on boilers (£2.1m), kitchens (£0.9m) and windows (£2.6m).

During the year, we committed to an additional £16m of investment by 2024 to ensure that all our homes meet EPC Band-C as a minimum. We are committed to undertaking regular rolling stock condition surveys of our homes. 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. This allows us to forward plan our asset management work which in turn, can drive procurement efficiencies.

Service delivery

The last 12 months has seen further rollout of Universal Credit throughout our area of operation. By the end of the financial year, 985 of our customers were in receipt of Universal Credit. We have responded positively to this challenge by providing additional intensive support to those customers most likely to be affected and engaging with those stakeholders our customers might turn to for advice or support about the benefit. Despite this rollout, our year-end arrears figures had reduced to 2.29%, demonstrating the effectiveness of our approach to date.

During 2019/20, we saw an increase to our void turnaround time from 26 days to 29 days. This reflects an increased demand for voids servicing and some additional delays in being able to let some of our extra care units within North Hertfordshire. We have worked effectively with local stakeholders to improve this in 2020/21.

Repairs performance has also continued to improve over the course of the year, with the average day to complete a repair improving by 8 days to 18 days, with 99% of emergency repairs being completed within target.

Throughout 2019/20, £2.5m of social value had been generated (HACT methodology) representing our commitment to ensuring that we are adding value over and above our basic landlord requirements.

Development and sales

During the year, we fully completed on 97 homes, with a further 16 completed but not handed over due to COVID-19 restrictions. Of these 113 homes, 109 were affordable homes. Our evolving development strategy continues to focus very much on the provision of good quality affordable homes.

Across our locality of Hertfordshire and Bedfordshire, demand for our shared ownership properties has remained high with average sales times of 42 days and first tranche shares averaging at 43%. This has helped 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 ambition to develop 1,500 homes over the next 5 years. As at the end of March 2020, we have an additional 831 new homes in the pipeline, demonstrating the head of steam that settle is generating.

People and culture

During 2019/20, our People Strategy was approved. The strategy has four key areas of focus that will ensure we are best placed to meet our strategic ambition

- Colleague experience
- Attraction and retention
- Learning and development
- Health, safety and well-being

Since the strategy was approved, our main priorities have been:

- Supporting the production of the settle play book; a living document that explains how we deliver our purpose.
- Ensuring that areas for improvement arising from the colleague Great Place to Work survey have been identified, developed and delivered.
- Development of a performance management framework to support managers in assessing and recognising performance.
- Development of our behaviour model that underpins so much of our people operations such as learning and development and recruitment.
- Implementation of an onboarding framework to ensure we have an informative and engaging onboarding experience for all new starters.

During this period, we also completed our work on the refurbishment of our Blackhorse Road office in Letchworth. Most of our colleagues now operate within one modern, collaborative workspace which really underpins and nurtures our face to face approach to engagement.

We also launched our improved pension and rewards package during the year. Our rewards package was designed in consultation with colleagues and provides everyone with a set amount of money each year to use on a range of activities that supports their health and well-being.

This continued focus saw us maintain a strong colleague trust score (76%), together with improving the percentage of roles successfully won by internal candidates to 48% against a target of 40%.

Our response to COVID-19 has been centred around colleague engagement, using technologies to ensure we maintain face to face engagement and a collaborative approach to how we work during this time. This has demonstrated the strength of our approach to colleague engagement.

An environmentally sustainable business

As a social purpose organisation, we know it is important that we operate in an environmentally sustainable manner. It is important to us, it's important to our stakeholders and it will be increasingly a key reason for why people would want to come and work for settle.

During 2019/20, we have begun to accelerate our efforts. We have commissioned a rolling programme of EPC surveys across our homes which has underpinned our decision to invest an additional £16m by 2025 to ensure all of our homes are operating at a minimum of band C. As at the end of March 2020, our latest surveyed position shows that 67.6% of our homes are between EPC Band A-C.

Our development programme is committed to providing fit for the future, sustainable homes. We aim for a 'B' EPC rating on all our new homes with a 'C' rating being the minimum acceptable level.

We know that it isn't enough to focus solely on our homes and during 2020/21, we will bring together a whole settle approach to sustainability; looking to drive down our carbon use across everything that we do.

Social purpose

Social purpose is at the heart of settle. During 2019/20, colleagues delivered 114 'giving back days', volunteering their time across a range of activities from renovating a school playground, helping at food banks and supporting reading in schools and libraries. Our new strategy reinforces our commitment to our social purpose with a target of 3,000 giving back days delivered by 2024.

Value for money statement

In this section we set out our approach to value for money across its 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;
- a well-run social business - ensuring that we maximise our financial capacity whilst continuing to ensure that we remain stable and viable as well as being a partner of choice to our stakeholders;
- delivering good services – being known for good customer service and the ability to deliver solutions; using data insight together with customer and colleague feedback; and
- being a place where colleagues love to work – to be the 'go to' place to work in our geographic area.

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 pages 39-44 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 Senior 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 considers 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.

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 activities are in place during the year to help meet our strategic objectives. Performance against objectives is monitored through indicators presented to Board quarterly and to the executive monthly. These 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 we face and the mitigations in place to reduce the scale of risk to an acceptable level.
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, so that staff have clarity on to 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. Only by understanding why things go wrong can we address the issues, minimise the risk of repeat and improve the services we provide.

h. Developing our people

We have a new people strategy in place that seeks to ensure settle can 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.

Delivering value for money is an integral part of our ethos and values. To do this we 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:

- **Treasury savings**

  During September 2019, existing cash balances were utilised to repay a drawn term-loan which was converted to a Revolving Credit Facility. This has the combined effect of reducing our cash balances whilst still providing the liquidity required to fund development ambitions.

  The total interest savings gained from this loan restructure within 2019/20 were £608k, these savings will continue providing interest cost efficiency until 2024.

- **Process improvements**

A review was undertaken on the Transactional Finance Team. During the year, mapping of all existing processes was undertaken together with the creation of new processes arising from the implementation of QLF, our new finance system. This has helped identify the level of resource required to deliver transactional finance outcomes within settle. A subsequent restructure was undertaken that resulted in a reduction of 1.6 FTE in the team.

- **Investment into estate services**

A comprehensive review of Estate Services was undertaken in Autumn 2019. Customer feedback, particularly, as a result of the Big Door Knock exercise, highlighted that investment into the service was required.

Service provision was predominantly outsourced across a wide range of contracts. Work was undertaken to review each of these contracts and retender where necessary. Some services, such as cleaning, were brought in-house while several contracts were brought together into one larger contract; enabling a higher level of activity at a similar level of cost.

In some areas of our properties, this meant that estate cleaning would be introduced for the first time and would have a direct impact on the level of service charges that customers would have to pay. Therefore, it was important that we proactively engaged with customers, so they understood the impact. Following feedback, some levels of service provision were reduced to ensure there was an appropriate balance between quality of cleaning and the cost impact on the customer.

- **Use of innovative systems**

During 2019/20, we have sought to identify and pilot alternative delivery methods to improve the effectiveness of our service provision. One such a case was the use of Plentific to improve our average wait time for repairs.

Plentific is an online platform that matches repairs and maintenance jobs within social landlord properties with vetted and verified trades professionals. Independent trade professionals (pros) quote for works through the platform from which settle can select from a collection of quotes.

The aim of the pilot was to reduce the average wait time for repairs appointments from 25 days to 18 days and for all routine repairs to be completed within 5 days. At completion of the pilot phase, the pros were completing works on average within 7 days.

Customer feedback has been positive with the majority of customers receiving a Plentific service scoring either 4 or 5 out of 5 for each question. This project was initiated following feedback from customers and colleagues that repair appointment wait times are too long, verbatim comments have supported our hypothesis that speed of service is one of the most important factors in repair delivery.

Measuring performance

During 2019/20, 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 at each meeting. Targets are also agreed by Board and performance against them are presented at each meeting.

A summary of the 2019/20 performance is in the tables below. The effects of Covid-19 have been disclosed in the operating review on pages 15-16 and this did impact our performance against some of our Key Performance Indicators and those set by our Regulator.
These primarily related to our development targets and explanations are provided in the analysis below. Non-achievement of development targets also impacted upon our ability to meet our operating margin target.

	Summary of 2019/20 Performance	
🟢	↑	Performance improving
🟠	↔	Performance staying about the same
🔴	↓	Performance declining

Creating Capacity	YTD	19/20Target	Achieved	Trend from 18/19
Operating margin (Consolidated)	31.3%	33%	🔴	↑
Rent arrears	2.30% (HB 2.29%)	<3.13%	🟢	↑
Headline cost per unit	£4,007	£3,900	🟢	↑
Available funds (cash and loans)	£58.5m	> 18 months net cash (*)	🟢	↔
Sales Target	£10.9m	>£8.5m	🟢	N/A -new measures
Void rent loss	0.87%	<1%	🟢	↓
Voids average turnaround time	29 days	21 days	🔴	↓

(*) This 2019/20 target is a golden rule held within settle's agreed Treasury Strategy.

Delivering Homes	YTD	19/20 Target	Achieved	Trend from 18/19
No of homes delivered in year versus target	113*	180 units	🔴	↓
Percentage of affordable homes delivered	96.5%	>60%	🟢	↓
Units in pipeline versus strategic plan target	80.5%	>125%	🔴	↑
Units developed as a % of units owned	1.23%	1.9%	🔴	↓

*97 homes built and 16 completed but not handed over due to COVID-19 restrictions.

Good services				
	YTD	19/20 Target	Achieved	Trend from 18/19
Customer Effort Score	4.3	Effort < 4.5	●	↔
Customer Trust Score	6.3	Trust > 7.2	●	↓
Total Social Value return	£2.543m	>£1.5m	●	↑
Landlord compliance	Green	Green	●	↑
Average Days Non-emergency repairs	18 days	18 days	●	↑
% Emergency repairs completed in target	99.4%	>=98%	●	↑

Strengthening foundations				
	YTD	19/20 Target	Achieved	Trend from 18/19
Colleague Trust Index Score	76%	>77%	●	↑
Adequate Internal Audits	45%	33%	●	↑
Substantial Internal Audits	55%	67%	●	↔
Colleague Health and safety consolidated	Amber	Green	●	↔
IT and systems consolidated	Green	Green	●	↑

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

Creating capacity

Indicator	Operating margin (consolidated)
2018/19 Performance	31.1%
2019/20 Performance	31.3%
2019/20 Target	33.0%

Explanation – The pre-audit year end operating margin is 31.52% compared to the target of 33%. The main reason for this was the expected year-end development completions and the remainder of the planned disposal of assets didn't materialise in month 12 as a result of the impact of COVID-19 slowing down the sales market.

Indicator	Rent arrears
2018/19 Performance	2.55%
2019/20 Performance	2.29%
2019/20 Target	3.13%

Explanation – Rent arrears continue to be low against sector average, reflecting the focussed work at settle in supporting our most vulnerable customers in being able to maintain rent payments. This performance should be seen in the context of the continued roll out of universal credit in North Hertfordshire.

Indicator	Headline Cost per Unit
2018/19 Performance	£3,818
2019/20 Performance	£4,007
2019/20 Target	£3,900

Explanation – Headline Cost per unit increased from 2018/19 to £4,007. This is made up of the following aspects:

- Capitalised Repair Cost Per Unit - £873 (increase of 99% from 2018/19 reflecting the increased investment in our existing stock.
- Management Cost Per Unit - £1,214 (decrease by 8% from 2018/19);
- Maintenance Cost per Unit - £1,047 (increase of 6% from 2018/19);
- Service Charge Cost per Unit - £243 (decrease by 21% from 2018/19);
- Other Costs Per Unit - £629, this includes our water bill we recharge to tenants and neighbourhood services (decrease by 17% from 2018/19);

This analysis shows that efficiencies have been driven across day to day expenditure lines. The average cost per unit increase is reflecting the increased capital spend in 2019/20. Our capital programme is fully funded into our long-term business plan.

Indicator	Available funds (cash and loans)
2018/19 Performance	£74m
2019/20 Performance	£72.2m
2019/20 Target	>18 months net cash

Explanation – Our liquidity comes in the form of cash held at bank and the undrawn proportion of our £75m Revolving Credit Facility. Additional fundraising will be undertaken in 2020/21 in order to pay for our ongoing development ambitions.

Indicator	Sales Target
2018/19 Performance	Not measured
2019/20 Performance	£10.9m
2019/20 Target	>£8.5m

Explanation – The sales income for 2019/20 was above target. This was achieved with 14 Right to Buy, 5 Right to Acquire, 5 Staircasing, 4 Market Sales and 53 First Tranche Sales.

Indicator	Void loss
2018/19 Performance	0.82%
2019/20 Performance	0.87%
2019/20 Target	1.00%

Explanation – Void Loss rose slightly against the 2018/19 performance for the reasons provided below in the average voids turnaround timetable. Despite this, void loss remained comfortably below our 1% target.

Indicator	Voids average turnaround time
2018/19 Performance	26 days
2019/20 Performance	29 days
2019/20 Target	21 days

Explanation – Void turnaround time did not achieve target. We experienced a higher number of voids than we had resourced (resourcing is based on a rolling 5-year average figure), which resulted in additional work during the year to engage additional third-party contractors to manage demand more effectively.

We also had a specific challenge within our flexi care provision where we had a period of high voids. We have worked constructively with the local authority on solutions and we expect that this will enable improvements to the void level in 2020/21.

Delivering homes

Indicator	Number of homes delivered in year
2018/19 Performance	123
2019/20 Performance	113
2019/20 Target	180

Explanation – The number of homes delivered (97 completed with 16 handed over) was 113 compared to the target 180. Forecast delivery was back loaded throughout the year. Restrictions relating to COVID19 resulted in all sites closing in the second half of March, when several were due to complete. These homes will now be handed over in 20/21.

Indicator	Percentage of affordable homes delivered
2018/19 Performance	100%
2019/20 Performance	96.5%
2019/20 Target	>60%

Explanation – Our development strategy has evolved at settle so that there is a clear focus on the delivery of affordable homes and have transitioned during 2019/20 from a programme with tenure mix of 67% affordable to 90% affordable.

Indicator	Units in pipeline versus strategic plan target
2018/19 Performance	78.5%
2019/20 Performance	80.5%
2019/20 Target	>125%

Explanation – Alongside timing disruption in the year as a result of COVID-19, our growth ambitions also changed during the life of the plan. We moved to seeking to deliver 1500 homes over the life of the plan compared to the previous target of 1,250.
We have made good progress in identifying new homes for the pipeline (359) compared to the target of 150. This activity will keep going into the new year.

Indicator	Units developed as a % of units owned
2018/19 Performance	1.40%
2019/20 Performance	1.23%
2019/20 Target	1.90%

Explanation – By not delivering on the target for new homes, we also fall short on homes developed as % of homes owned, where the target assumed delivery of 180.

Good services

Indicator	Customer effort score
2018/19 Performance	4.3
2019/20 Performance	4.3
2019/20 Target	<4.5

Explanation – A low score on this measure reflects good performance as we seek to ensure that a customer's experience with us is low effort. Work during 2019/20 to maintain this level of performance includes the introduce of a 'chat' function on the website; enabling an additional contact channel for residents.

Indicator	Customer trust score
2018/19 Performance	6.6
2019/20 Performance	6.3
2019/20 Target	>7.2

Explanation – The Institute of Customer Services (ICS) identify two key areas that drive customer trust:

- perceptions of an organisation's trustworthiness based on information they receive, including media coverage and recommendations or feedback from acquaintances
- actual experience of dealing with an organisation

Over the last year we have focussed on both areas. We have worked to develop content for our website that captures our social purpose by showcasing individual customer stories and how settle has helped them. We have also increased our level of engagement through activities like the Big Door Knock and digital engagement on our customer promise, which was also launched this year.

From the real time surveys and analysis of the answers of this perception survey it's clear that when we get things right, we do very well – this is reflected in the overall effort scores. However, when things go wrong, we don't always manage them well. The end to end case management when things go wrong isn't working for our customers in terms of offering a quick resolution, ongoing communication and ownership.
We are making immediate changes around our handling of complaints and looking at how we manage things more effectively through case management.

Indicator	Total social value return
2018/19 Performance	£1.6m
2019/20 Performance	£2.5m
2019/20 Target	>£1.5m

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 2019/20, we achieved a total HACT value of £2.5m. 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.

*Housing Association Charitable Trust

Indicator	Landlord compliance – consolidated score
2018/19 Performance	Amber
2019/20 Performance	Green
2019/20 Target	Green

Explanation – The landlord compliance team have been worked to generate predictive performance. This has enabled appropriate levels of resourcing taking into account peaks in demand. Gas is an example whereby the team managed to be compliant with a clear 30 days before expiring certificates. Self-assessments to an audit specification have further embedded full compliance.

Indicator	Average days non-emergency repairs
2018/19 Performance	26 days
2019/20 Performance	18 days
2019/20 Target	18 days

Explanation – Redefining processes and resourcing models enabled the performance in this area to improve. Working with the contact centre to improve first call diagnostics has assisted in achieving a first-time fix which further reduces non-productive time from the trade teams.

Indicator	% Emergency repairs completed in target time
2018/19 Performance	97.8%
2019/20 Performance	99.4%
2019/20 Target	>98%

Explanation – Emergency repairs are monitored through a live dashboard to ensure they are completed within the specified target. The majority of emergency repairs are completed on the same day as they are raised and therefore much quicker than the 24hr target set.

Strengthening foundations

Indicator	Colleague Trust Index Score
2018/19 Performance	75%
2019/20 Performance	76%
2019/20 Target	77%

Explanation – The Trust index score increased from 75% to 76%, just missing out on the target set of 77%. Our engagement score was 84% which is based on the number of colleagues who answered the question on do they think settle is a Great Place to Work. The key improvement themes identified from the survey were recognition, talent management and values and ethics. Specific team action plans have been put in place, with progress regularly monitored and reported on. A new people strategy is in place and being implemented, which particular focus on performance management, recognition and talent management.

Indicator	Internal audit reports – substantial
2018/19 Performance	42%
2019/20 Performance	55%
2019/20 Target	67%

Explanation – There were 11 graded internal audits during the year that were graded. 6/11 (55%) received ‘substantial’ below the target set of 67%. All other audits were graded as adequate with no audit receiving a ’limited’ assurance rating.

Indicator	Internal audit reports – adequate
2018/19 Performance	50%
2019/20 Performance	45%
2019/20 Target	33%

Explanation – All internal audits were graded either substantial or adequate. 5 of the 11 audits were completed as adequate.

Internal Audit reports are reviewed at Audit and Risk Committee and the implementation of audit recommendations is tracked. As at the end of April 2020, only two recommendations had not been implemented.

Indicator	Colleague Health & Safety Consolidated Score
2018/19 Performance	Amber
2019/20 Performance	Amber
2019/20 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 KPI so a single case in any of the above categories will result in the KPI becoming amber. During 2019/20, the procurement of a health and safety professional services contract was completed. This enabled the organisation to take a fresh look at health and safety and ensure that best practice was embedded into our operating processes. Focus was given to the reporting of concerns, near misses and accidents. This has been an area of significant performance improvement.

Indicator	IT systems consolidated score
2018/19 Performance	Amber
2019/20 Performance	Green
2019/20 Target	Green

Explanation – The consolidated IT systems score brings together a series of performance indicators identifying the robustness of settle's IT systems. Work has improved in 2019/20 with our managed service provider providing additional resources into their team to ensure that issues were resolved more promptly.

2019/20 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:

	2018/19 [i]	**2019/20**	2018/19 Global Accounts	2018/19 Global Accounts	2019/20 Locality
		Group	Regional benchmark [ii]	Locality average [iii]	Benchmark range [iv]
Business health					
Operating margin (social housing lettings) %	31.7%	**31.9%**	33.6%	34.8%	23.5% - 42.5%
Operating margin (overall) % Association only	29.5%	**30.5%**	31.1%	33.3%	24.3% - 39.8%
EBITDA MRI Interest Cover	209%	**182.3%**	172.3%	197.8%	173.7% - 286.6%
Development capacity and supply					
Gearing (housing properties at cost)	58.5%	**58.1%**	54.0%	58.7%	43.1% - 75.8%
New supply delivered (social housing units) %	1.4%	**1.1%**	2.5%	2.2%	0.9% - 2.5%
New supply delivered (non-social housing units) %	0.1%	**0.0%**	0.0%	0.1%	0.0% - 1.0%
Outcomes delivered					
Reinvestment % as percentage of housing stock cost	6.4%	**9.2%**	8.2%	11.1%	6.8% - 17.0%
Effective asset management					
ROCE%	4.8%	**4.6%**	4.0%	4.7%	3.2% - 8.9%
Operating efficiencies					
Headline social housing costs per unit (CPU)	£3,818	**£4,007**	£3,409	£3,672	£3,514 - £3,878

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 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 Vale of Aylesbury Housing Trust, B3 Living, Thrive Homes and Watford Community Action Trust based on 2019/20 unaudited financial statements.

Key performance indicators:

Business health

Our operating margin (SHL & overall) are both below last year's 2018/19 global accounts regional and local averages. We have consciously invested in our staff costs to improve our customer offering and narrowly missed out on some additional sales surplus due to COVID-19. Despite this, our figures have improved during 2019/20 and demonstrate our continued core financial strength as backed up by the result of our private credit rating from S&P in 2020.

Our EBITDA-MRI interest cover has weakened as we consciously invested more into our existing homes. While this is not a financial covenant of ours, we monitor this figure closely and continue to perform well vs the regional benchmark.

Development capacity and supply

Our gearing has improved as a result of reducing the amount we have borrowed whilst simultaneously adding to our asset base. This puts us in a good position to launch our new ambitious development strategy from and is well within our covenant level.

Our development strategy has shifted to focus to deliver at least 90% affordable delivery. Our metric of new supply delivered is below the regional benchmark currently but will improve as we build our pipeline sustainably to deliver 1,500 homes throughout the next 5 years.

Outcomes delivered

Investment in our existing homes has significantly increased during 2019/20 and will continue to rise as we consciously invest in ensuring our homes are safe and environmentally friendly. This year's performance brings us in line with the regional benchmarking and demonstrates our commitment to both investment in new and existing homes.

Effective asset management: ROCE

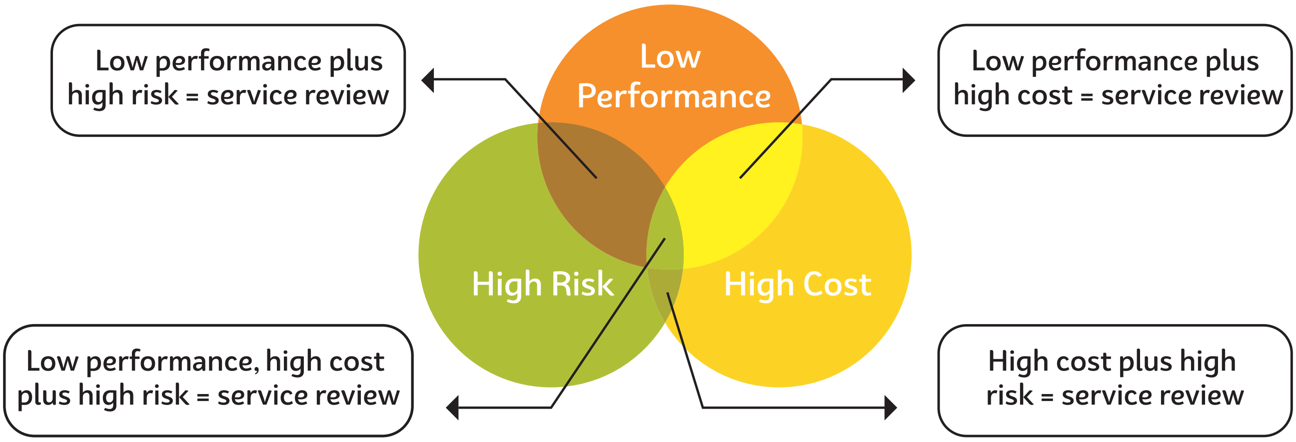
Our ROCE remains strong, emphasising the robust economic fundamentals of our operations.

Operating efficiencies: Cost per unit

Whilst efficiencies have been driven across day to day expenditure lines, the average cost per unit increase reflects the conscious decision to increase capital expenditure on our existing homes (see analysis on page 23).

Next steps

During 2019/20, we have embedded our approach to Value for Money. Our approach is summarised in the diagram below:



The Board receive cost per unit effectiveness measures within the management accounts report at each board meeting. Board also receive an additional deep dive into the value for money provision of services to identify what service reviews should be undertaken.

Along with staff full time equivalent (FTE) numbers, these indicators will measure the cost of providing our core services. We are committed to reducing central overheads as a proportion of turnover to 10% over the next five years; in 2018/19, this was 14.9% and has reduced to 13% by the end of 2019/20.

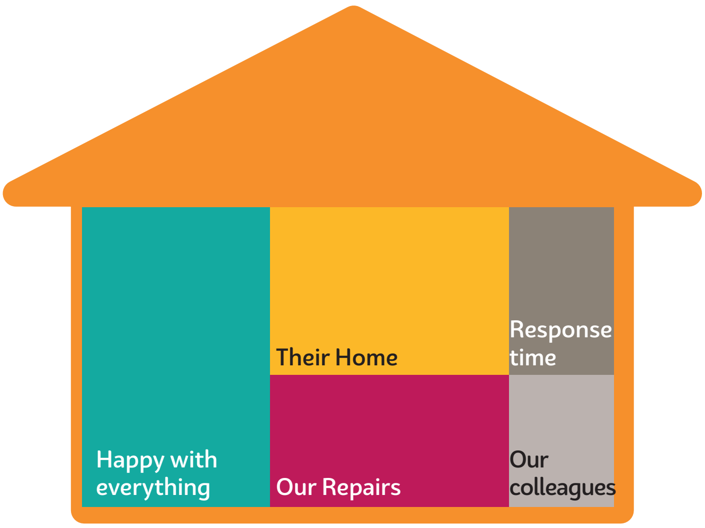
Through this cost analysis, coupled with our performance data and risk appetite statement, we will identify areas of service provision that we will review to ascertain how improvements to value for money can be made – this will continue to include identifying whether or not settle should be providing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

Customer feedback

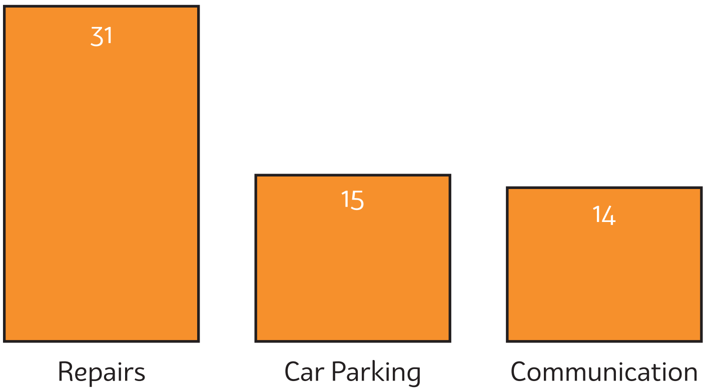
In September 2019, we conducted our first 'Big Door Knock' where colleagues from across the business met 420 customers to speak to them about what they liked about settle and what we could do better.

We found that they liked:

What is the one thing you really like about settle?



We also learnt where our customers felt we could do better, shown in the table below:



In response to this work and the analysis from a series of perception surveys run during the year, we developed our customer promise. This was engaged on with customers digitally. As a result of the feedback, we changed some of the language of the promise before it was published.

In the spring and summer of 2019, a range of activities were carried out to shape the asset management strategy and the repairs policy. Activities included several workshops with groups of customers to go through their views on what was important to them in terms of planned investment works and the types of repairs we carry out. This work was a strong foundation for the decision to increase the investment into our new homes over a 30-year period. A core focus of the strategy is to ensure that properties are thermally efficient as well as the continuation of kitchens, bathrooms and windows programme.

The repairs policy was also updated to reflect the items that customer felt were important. This included additional areas of work such as fencing, whilst also looking at the time scales customers are expected to wait for basic repairs to be completed.

All this work underpinned the creation of our new 2019-2024 customer strategy that was approved by our Board in March 2020. Our strategy is to ensure that we understand the services that our customers value. Transactional services will be delivered in a manner that feels effortless tour customers while they will experience high trust in the way in which we engage through those times when our customers need more from us; those 'moments of truth' where they will remember their experience forever.

settle Group (settle) is a registered Co-operative and Community Benefit Society with charitable objectives. 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. From when it commenced trading in April 2003 until September 2018 settle was known as North Hertfordshire Homes Limited, after the housing and ancillary land was purchased from North Hertfordshire District Council. settle updated its rules in February 2020 to reflect settle's new name in September 2018 and its change of registered office address in May 2019.

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	People and Governance Committee	Development Committee	Treasur Committee
Martin Nurse (Chair)	8/8			✓	✓	
Marie Li Mow Ching (Vice Chair)	8/8	✓		Chair	✓	
Christine Anthony [1]	3/3		✓			
Robert Barton	5/8	✓			✓	
Julian Baust [2]	8/8		✓	✓		
Gavin Cansfield	8/8					✓
Victor Dove	5/8	Chair			Chair	
Rosemary Farrar [4]	2/2		✓			✓
Elizabeth Froude	6/8		Chair			Chair
Simon Oates[3]	7/7		✓			
Kay Vowles [5]	0/0		✓			

[1] Retired as a Board Member 17th September 2019 at the end of term of office.

[2] Appointed as an ARC member from 23rd July 2019 to 30th January 2020.

[3] Joined the Board on 19th March 2019 as a co-optee; became full Board member in May 2019

[4] Appointed 5th December 2019

[5] Resigned 25th April 2019

The Executive Team during the financial year ended 31 March 2020:

Chief Executive	Gavin Cansfield	
Executive Director of Customer Services	Anita Khan	Permanently appointed from 26.06.19. Interim appointment from: 01.10.18 – 26.06.19
Executive Director of Finance and Resources	Richard Blakey	Appointed: 10.09.18
Executive Director of Development	Penny Metcalf	Appointed from 01.05.20. Previously Director of Development from 04.06.18 to 30.04.20

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 Group Company Secretary during the financial year ended 31 March 2020:

Group Company Secretary	Jayne Kaye	Appointed 21.01.19

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
Senator House, 85 Queen Victoria St
London EC4V 4AB

Corporate governance statement

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 2020.

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.

In July 2019 the Board adopted a revised Governance Framework, including Operating Regulations, Financial Regulations and Schedule of Delegated Authority that included two new committees, 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. The Remuneration and Governance Committee was renamed the People and Governance Committee and given expanded responsibilities.

Accordingly, four Committees are delegated responsibilities and support the work of the Board. The committees are:

- Audit and Risk Committee
- Development Committee
- People and Governance Committee
- Treasury 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 People and Governance Committee considers settle's People strategy, remuneration, 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 Development Committee considers and makes recommendations to the Board on major proposals relating to property and land transactions in the context of settle's development and remuneration strategy and approves development and sales activities between Board agreed thresholds. Additionally, it monitors internal controls and considers strategic development risk and risk management of the development programme.
The Treasury Committee provides support and scrutiny to the Board concerning the Treasury strategy and Treasury Management policy and their implementation.

Each Committee reports regularly to the Board on how it discharges its functions.

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.
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 diagram on the following page:

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 reprioritised.

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 2020, 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 opposite:

No	Risk	Principal controls
1	Safety and quality of services	• Monthly internal assurance panel chaired by CEO to have oversight of a series of monthly reports are scrutinised and drive action that arise from the analysis. • A full programme of testing for all key compliance areas and Decent homes with an appropriate forward view on projections of activity to remain in or gain full compliance – with visibility of performance and audits to ensure programme is being maintained. • Service 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 with sufficient lag times to ensure compliance can be achieved.
2	Meeting Government expectations	• Executive Team is well integrated into working groups of the National Housing Federation to help steer an industry response to government. • Long Term Business Plan is regularly reviewed, tested and reported to Board so that impact of any significant government legislation can be considered. • Asset Management Strategy approved by Board proactively responds to expected developments in health and safety and environmental legislation. This has been built into the long-term business plan. • Successful delivery of development schemes with grant attached continues to help settle be recognised as a partner of choice with Government.
3	Increase in poverty levels	• Internal tenancy support team to help customers manage complex personal and financial matters. • Supporting customers to maximise their access to additional funds though an agreement with Citizens Advice Bureau, Herts Help. • Establishment of a wellbeing fund to support customers through this challenging time. • Outbound targeted contact with 'high risk' customers.

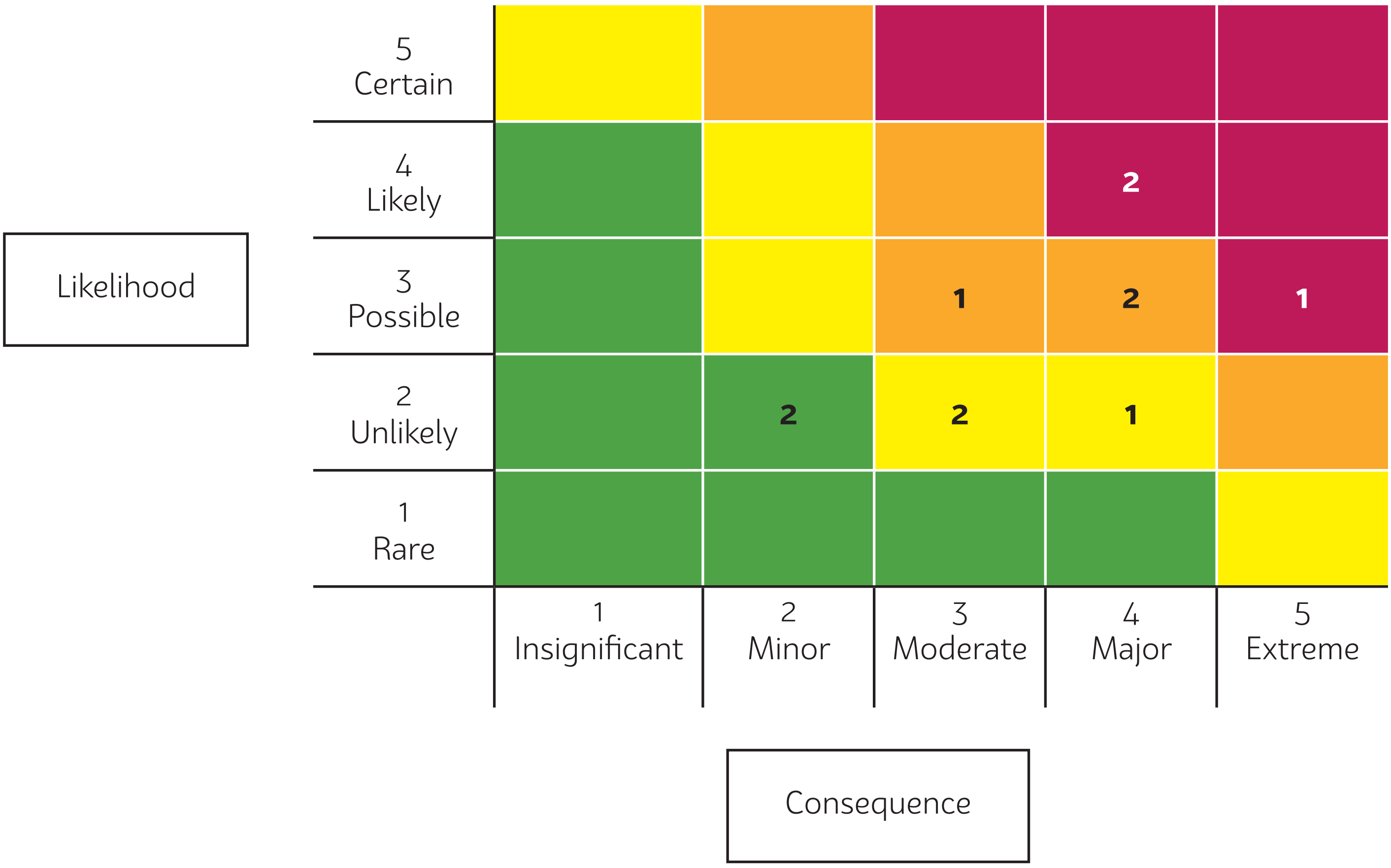
4	Income Targets not met	• Clearly established policy and procedure for management of rent arrears and collection ensuring we have a fair and consistent approach to arrears escalation that enables early intervention. • Additional support offered to customers who are struggling to pay their rent during this time due to job loss or other financial burdens. • Clear performance dashboard for income activity so we can see performance trends and spot opportunities for interventions. • Dedicated income collection team with RentSense to ensure adequate resource and prioritisation of cases to focus on. • 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 – further profiling work to predict number of customers who may migrate taking place. This will inform business planning.
5	Meeting regulatory standards	• Trained and skilled colleagues who are capable, with additional oversight of returns from colleagues within the business before submission to avoid errors. • Internal assurance panels including landlord compliance, customer services and governance and data. • Regular review of services through Internal auditors or third-party experts. Action Plans produced and implemented promptly following reviews. • Early engagement with Together with Tenants to ensure we are live to likely expectations. Increased activity around engagement and investment in homes.
6	Weaknesses in the quality and integrity of our data	• Data Protection Officer role in place. • GDPR e-Learning training has been rolled out and completed across the colleague base. • DPO training been provided to Governance Team. • GDPR delivery plan in place and regularly monitored. • All new policies and procedures have a Data Protection assessment undertaken. • Annual Data Reviews being undertaken with procedures being implemented to ensure this becomes an annual activity. • Mandated data security training has been rolled out across the business. This including a focus on arrangements to protect data subjects.

7	Environmental sustainability plans are out of sync stakeholders	• Analysis from Asset Performance Evaluation model (APE) provides analysis on comparative environmental performance of stock. • Additional surveys of EPC ratings of stock are in progression.
8	Achieving a pipeline of 1900 homes	• Regularly reviewed and stressed Business Plan and appraisal assumptions to balance prudent planning with market competitiveness. • Blended supply to access wide range of opportunities - s106, asset sites, land acquisition. Land banking potential - to sustain rolling programme at scale with less dependency on s106 activity. • New business log tracks levels of take-up and how offers place relative to other bidders. • Stakeholder strategy and stakeholder engagement to maintain credibility. • Dedicated new business resource in team, to seek and promote partnership working. • 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. • Competitive tendering for building contracts. When selecting partners for design and construction, select criteria include track record and qualitative criteria. • Frequent inspection regime. In house Clerk of Works to amplify connectivity to quality control feedback. • Regular training to team on changing regulatory criteria.
9	Delivering John Barker Place	• Cross business project working group to manage various stakeholder and customer relationships and to plan for implementation impacts. • Regular engagement with residents and stakeholders, particularly ward Cllrs. • Layered relationship with key stakeholders, including partnership plan with NHDC, gives early resolution opportunity to challenges. • Availability of Community Benefit Fund as contingency to other capital grants.

10	Attracting and retention of staff	• Recruitment policy and procedures are in place. Performance Management Objectives and regular 1-2-1's for all colleagues is in place across the business. • Competitive Pay and Reward offer. • Embedded suite of face to face communication set pieces are in place (Team Briefs) that ensure clear communication channels are in place to ensure colleagues feel part of the achievement of strategic objectives. • Annual colleague engagement surveys with colleague led development of improvement plans. • Settle forum acts as a peer to peer feedback loop on colleague engagement.
11	Protecting and growing our culture	• Settle purpose and values are established and well known by colleagues across the business. • Customer and Colleague surveys and feedback provide an opportunity to identify how well embedded the settle culture is operating. • Face to face colleague and customer engagement is embedded as a way of working across the business. • Credible measurement of social purpose is in place to measure the impact of our culture. • People Dashboard provides regular insight and analysis on metrics that provide an indicator of colleague engagement and satisfaction.
12	Impact of COVID-19 on the delivery of our 2024 strategic objectives	• Increased lines of liquidity brought in. • Stress testing of business plan with agreed levels of performance in place to trigger mitigation plans. • Redeployment of colleagues to support high risk areas of the business such as Income Collection. • Key performance indicators in place to provide insight and analysis of impact on COVID19. • Increased touchpoint sessions between Board and Executive to discuss impact on development activity. • COVID 19 sub-committee set up to enable quick decision making if necessary. • Any development schemes will continue to be reviewed in line with existing hurdle rates and approvals. • VPN improvements done to enable remote access to network. • Outbound calls to vulnerable residents enable us to target our support services to where its most needed. • Key regulatory levels of services being maintained and monitored. • Clear and regular communication with colleagues is in place. • Regular engagement with key suppliers enables supportive approaches to maintain long term service delivery. • Agreed approach for deputation at Executive Team level has been agreed as a result of individual(s) having a period of sickness absence.

The principal uncertainty currently facing the association is Risk 12; the impact on settle of the ongoing global COVID-19 outbreak. The board and executive team continue to monitor the impact of COVID-19 on operational and financial performance of the business. While the evolving nature of the situation means it is not possible to accurately quantify the financial impact, the association is in a good financial position to help manage this risk. Regular stress testing is undertaken, and performance levels have been set that act as a trigger point for mitigating activities should they be met.

The Group risk heat map summarised below shows the residual risk rating as at 31st March 2020 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.

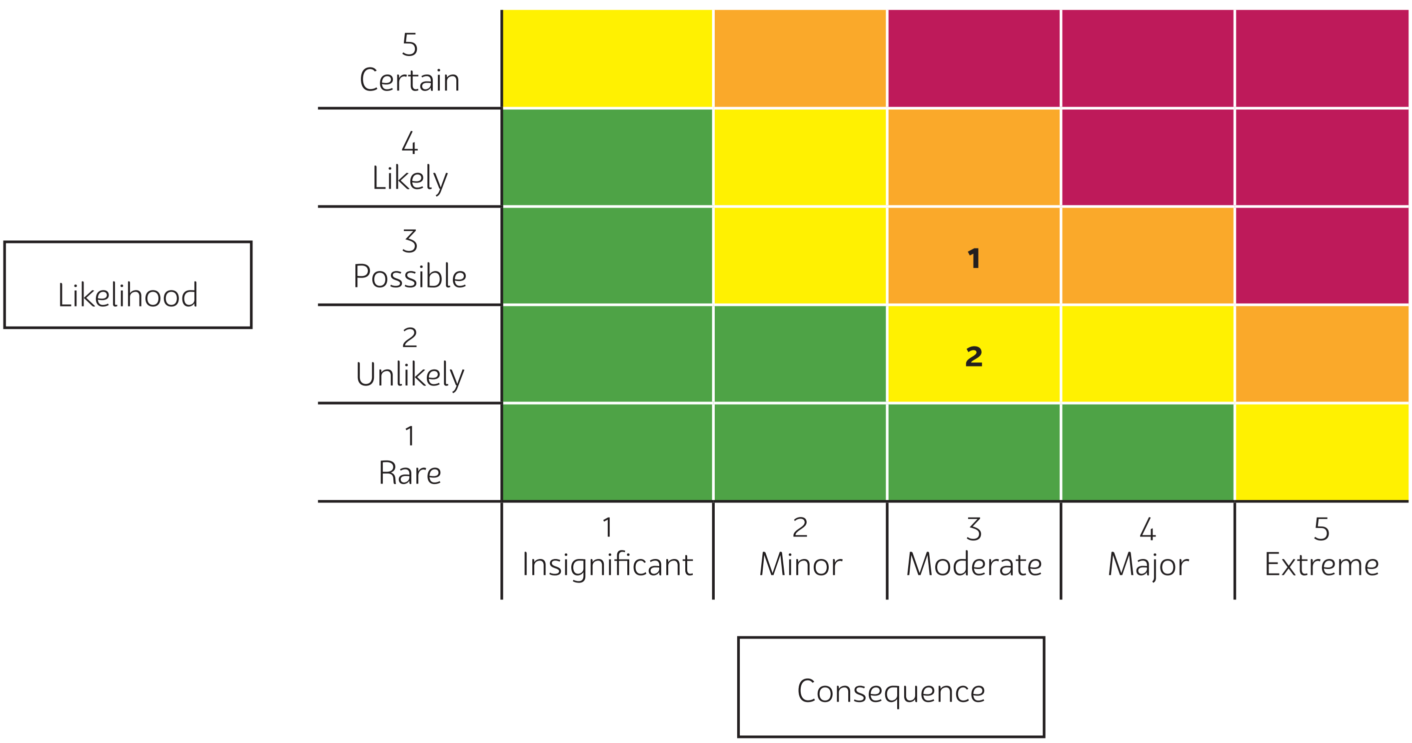


Risk management of Rowan Homes (NHH) Limited

The same approach to risk management is in place for our subsidiary Rowan Homes (NHH). As at 31st March 2020, the key risks on Rowan Homes (NHH)'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	Inefficient Tax strategy	• Group wide tax strategy; • project specific tax advice prior to negotiation / commitment
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 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); • Moderate land banking - buy with or subject to planning • Procure on fixed price in line with procurement policy (unless risk indicators support otherwise); • Regularly review projected outturn position & cashflow requirements Include contingency; • Routinely gather intelligence on housing market
3	Financial capacity impedes programme delivery	• Treasury policy to explore negotiation of covenant flexibility on lending limits; • regular cashflow & peak debt analysis to identify constraints in delivery of business plan; • regular review of development and sales strategy; • Financial hurdles in place for new developments to ensure additional capacity is generated.

The Group risk heat map summarised below shows the residual risk rating as at 31st March 2020 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 that is appropriate for its operations 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, the Audit and Risk Committee and the Board;
- 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 Audit and Risk Committee and the Board;
- Review and assessment of compliance with the RSH regulatory standards at least twice a year to the Board;
- Regular updates and reporting by the external auditors; and
- Policies and procedures to reduce the risk of fraud, bribery and money laundering.

Our work on various aspects of GDPR compliance has continued throughout the year including on settle's Register of Data Processing Activities and data retention reviews. We have a detailed workplan to further develop our data governance arrangements in the next 12 months, including analysis of business-critical data to better support data driven decision making.

Altair was commissioned in 2019-20 to provide an independent review of settle's regulatory returns before submission to our regulators. After reviewing our revised processes and completed returns for a 12-month period, Altair reported at the end of the commission in May 2020 that the processes had been appropriately embedded and gave positive feedback on the quality of the completed returns.

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 2019 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 has 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 21 July 2020 and signed on its behalf by:

Martin Nurse
Chair

Opinion

We have audited the financial statements of settle Group ("the Association") and its subsidiary ("the Group") for the year ended 31 March 2020 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in reserves, 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 2020 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 2019.

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 our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the board 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 47, 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
London
29 July 2020

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

Consolidated statement of comprehensive income

		2020		2019		
	Note	**Continuing operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
		£'000	**£'000**	£'000	£'000	£'000
Turnover	3	**64,122**	**64,122**	66,934	1,115	68,049
Cost of sales	3	**(6,463)**	**(6,463)**	(9,424)	-	(9,424)
Operating expenditure	3	**(38,027)**	**(38,027)**	(37,361)	(1,885)	(39,246)
Gain on disposal of housing properties	6	**439**	**439**	1,757	-	1,757
Operating surplus/(deficit)	5	**20,071**	**20,071**	21,906	(770)	21,136
(Loss) on disposal of property, plant and equipment		**(126)**	**(126)**	-	-	-
Interest receivable	7	**758**	**758**	923	-	923
Interest and financing costs	8	**(10,745)**	**(10,745)**	(11,428)	-	(11,428)
Movement in fair value of ineffective financial instruments		**4,706**	**4,706**	(180)	-	(180)
Surplus/(deficit) before tax		**14,664**	**14,664**	11,221	(770)	10,451
Taxation	12	**(22)**	**(22)**	32	-	32
Surplus/(deficit) for the year		**14,642**	**14,642**	11,253	(770)	10,483
Other comprehensive income						
Actuarial gain in respect of pension schemes	27	**964**	**964**	896	-	896
Revaluation of effective financial instruments		**(14,153)**	**(14,153)**	(1,419)	-	(1,419)
Revaluation of investments	17	**82**	**82**	34	-	34
Total comprehensive surplus/(deficit) for the year		**1,535**	**1,535**	10,764	(770)	9,994

The accompanying notes on pages 56 to 86 form part of these financial statements.

The financial statements were approved by the Board on 21 July 2020.

Martin Nurse
Chairman

Jayne Kaye
Group Secretary

Gavin Cansfield
Chief Executive

Association statement of comprehensive income

		2020		2019		
	Note	**Continuing operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
		£'000	**£'000**	£'000	£'000	£'000
Turnover	3	**64,103**	**64,103**	63,555	1,115	64,670
Cost of sales	3	**(6,463)**	**(6,463)**	(6,459)	-	(6,459)
Operating costs	3	**(38,080)**	**(38,080)**	(37,242)	(1,885)	(39,127)
Gain on disposal of housing properties	6	**439**	**439**	1,757	-	1,757
Operating surplus/(deficit)	5	**19,999**	**19,999**	21,611	(770)	20,841
(Loss) on disposal of property, plant and equipment		**(126)**	**(126)**	-	-	-
Interest receivable	7	**873**	**873**	1,036	-	1,036
Interest and financing costs	8	**(10,745)**	**(10,745)**	(11,428)	-	(11,428)
Movement in fair value of ineffective financial instruments		**4,706**	**4,706**	(180)	-	(180)
Surplus/(deficit) before tax		**14,707**	**14,707**	11,039	(770)	10,269
Taxation	12	**(21)**	**(21)**	19	-	19
Surplus/(deficit) for the year		**14,686**	**14,686**	11,058	(770)	10,288
Other comprehensive income						
Actuarial gain in respect of pension schemes	27	**964**	**964**	896	-	896
Revaluation of effective financial instruments		**(14,153)**	**(14,153)**	(1,419)	-	(1,419)
Revaluation of investments	17	**82**	**82**	34	-	34
Total comprehensive surplus/(deficit) for the year		**1,579**	**1,579**	10,569	(770)	9,799

The accompanying notes on pages 56 to 86 form part of these financial statements.
The financial statements were approved by the Board on 21 July 2020.

Martin Nurse
Chairman

Jayne Kaye
Group Secretary

J L Kaye

Gavin Cansfield
Chief Executive

Group and association statement of financial position

		Group		Association	
		2020	2019	**2020**	2019
	Note	**£'000**	£'000	**£'000**	£'000
Fixed assets					
Intangible fixed assets	13	**655**	265	**646**	252
Tangible fixed assets – housing	14	**396,742**	369,398	**397,173**	369,398
Tangible fixed assets – other	15	**4,590**	5,623	**4,590**	5,623
Investment properties	16	**1,500**	1,500	**1,000**	1,000
Investments	17	**7,448**	7,366	**7,448**	7,366
		410,935	384,152	**410,857**	383,639
Current assets					
Properties held for sale	18	**14,881**	11,383	**14,881**	9,625
Stock		**189**	126	**189**	126
Trade and other debtors	19	**4,396**	3,073	**4,396**	5,097
Cash and other cash equivalents		**34,828**	66,998	**34,641**	66,851
		54,294	81,580	**54,107**	81,699
Creditors: amounts falling due with one year	20	**(30,869)**	(28,261)	**(30,795)**	(28,101)
Net current assets		**23,425**	53,319	**23,312**	53,598
Total assets less current liabilities		**434,360**	437,471	**434,169**	437,237
Creditors: amounts falling due after more than one year	21	**(368,075)**	(371,968)	**(368,075)**	(371,969)
Provision for liabilities					
Pension liability	27	**-**	(753)	**-**	(753)
Total net assets		**66,285**	64,750	**66,094**	64,515
Reserves					
Income and expenditure reserve		**111,732**	96,126	**111,541**	95,891
Investments revaluation reserve		**1,788**	1,706	**1,788**	1,706
Financial instrument hedging reserve		**(47,235)**	(33,082)	**(47,235)**	(33,082)
Total reserves		**66,285**	64,750	**66,094**	64,515

The accompanying notes on pages 56 to 86 form part of these financial statements.
The financial statements were approved by the Board on 21 July 2020.

Martin Nurse
Chairman

Jayne Kaye J L Kaye
Group Secretary

Gavin Cansfield
Chief Executive

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 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**
Total comprehensive surplus for the year	14,642	-	-	14,642
Revaluation of financial instruments	-	-	(14,153)	(14,153)
Revaluation of investments	-	82	-	82
Actuarial Gains in respect of Defined Benefit Pension Schemes	964	-	-	964
Balance at 31 March 2020	**111,732**	**1,788**	**(47,235)**	**66,285**

The accompanying notes on pages 56 to 86 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 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**
Total comprehensive surplus for the year	14,686	-	-	14,686
Revaluation of financial instruments	-	-	(14,153)	(14,153)
Revaluation of investments	-	82	-	82
Actuarial Gains in respect on Defined Benefit Pension Schemes	964	-	-	964
Balance at 31 March 2020	**111,541**	**1,788**	**(47,235)**	**66,094**

The accompanying notes on pages 56 to 86 form part of these financial statements.

Consolidated statement of cash flows

	Note	**2020**	2019
		£'000	£'000
Net cash generated from operating activities	29	**24,656**	29,026
Cash flow from investing activities			
Purchase of construction and improvements of housing properties	14	**(38,864)**	(23,211)
Purchase of other assets	13/15	**(1,333)**	(995)
Proceeds from sale of tangible fixed assets - Housing	6	**5,239**	6,271
Proceeds from sale of tangible fixed assets – Other	15	**1,300**	-
Investment in subsidiary undertaking	17	**-**	(20)
Grants received	22	**5,252**	705
Grants repaid	23/25	**(448)**	-
Interest received	8	**372**	511
Corporation tax	12	**14**	21
Net cash outflow from investing activities		**(28,468)**	(16,718)
Cash flow from financing activities			
Repayment of loan		**(45,800)**	(4,500)
New loan		**28,000**	-
Interest paid	7/8	**(10,558)**	(11,625)
Total cash outflow from financing activities		**(28,358)**	(16,125)
Net change in cash and cash equivalents		**(32,170)**	(3,817)
Cash and cash equivalents at beginning of the year		**66,998**	70,815
Cash and cash equivalents at the end of the year		**34,828**	66,998

(i) Analysis of changes in net debt

	At 1st April 2019	**Cash flows**	**Other non-cash changes**	**At 31st March 2020**
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents				
Cash	66,373	(40,895)	-	25,478
Cash equivalents	625	8,725	-	9,350
	66,998	**(32,170)**	**-**	**34,828**
Borrowings				
Debt due within one year	(4,500)	4,500	(4,500)	(4,500)
Debt due after one year	(278,636)	13,300	4,500	(260,836)
	(283,136)	**17,800**	**-**	**(265,336)**
Total:	**(216,138)**	**(14,370)**	**-**	**(230,508)**

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 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.

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 2018 Update, "Accounting by registered social housing providers" 2014, the Accounting Direction for Private Registered Providers of Social Housing 2019.

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.

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 can service these debt facilities whilst continuing to comply with lenders' covenants.

The Board reviewed the association's business plans for the period to 2050 in May 2020 and was content that these plans were affordable and that the accounts should be prepared on a going concern basis.

However, the impact of the COVID-19 outbreak and its financial effect has meant that the Leadership Team and Board have been reviewing financial plans for the next three years to ensure the Association can remain a going concern. The Association is modelling a number of scenarios based on current estimates of rent collection, property sales and maintenance spend. The Board will continue to review plans with the Leadership Team to make the necessary changes to continue to work with our customers and stakeholders to deliver exceptional services in a friendly, solution-focused way.

The Government's decisions on social distancing have had some effect on settle's financial situation and resulted in an estimated reduction of 1.7% in our year end operating margin. This will not cause settle Group to breach any bank covenants. This is largely caused by a temporary halt in the completion of sales mortgage availability, settle has not seen a large uptick in difficulties for residents to pay their rent. Some of this operating income loss has been offset by delays in planned maintenance and repairs.

The length of the COVID-19 outbreak and the measures taken by the Government to contain this are not known and outside of the Association's control, but settle has put processes in place to manage performance on a weekly basis and review financial stability as matters progress.

Given the strength of the balance sheet and availability and liquidity of undrawn loan facilities, totalling circa £70m, the Board believe that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Association's ability to continue as a going concern. The Board, therefore, 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.

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.

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 – this is applied in determining the extent to which the risks and benefits are transferred to the Association when considering income to be recognised. £345k of supporting people income was recognised in the year (2019: £369k).

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 (NHDC) 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. Re-measurements are reported in other comprehensive income.

The Group also operates a stakeholder's money purchase scheme for new employees hired after 1st April 2003. Pension costs until mid-way through the year were based on a fixed percentage of the employee's salary according to the age of the employee. After reviewing our pension plan, employer contribution rates are now aligned with employee contributions with no age requirement. These amounts 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 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 & 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 assets carrying amount to its recoverable amount. The recoverable amount for socially rented properties is the higher of fair value less costs to sell and value in use in respect of assets held for their service potential (VIU-SP). At settle, VIU-SP is determined by depreciable replacement cost, being the lower of constructing or acquiring a replacement asset to fulfil the same level of service potential, taking into account the level of impairment indicator. Where the carrying amount of an asset 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 an asset is currently deemed not to be providing service potential to the Association, its recoverable amount is its fair value less costs to sell.

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.

Due to the outbreak of COVID-19, heightening near the time of valuation, the professional valuers used to value the investment properties as at the valuation date, being 31 March 2020, have highlighted material valuation uncertainty in the valuation report as per VPS 3 and VPGA 10 of the RICS Red Book Global. Therefore, less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration does not mean that the valuation cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuations than would otherwise be the case.

Consequently, a higher degree of caution should be attached to valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we will keep the valuation of these properties under frequent review in 2020/21.

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. Grants for shared ownership properties, which are not depreciated, are amortised over 25 years, the standard length of a mortgage.

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 Revenues and Customs. A contracted sum which is indexed linked to RPI for the current year is recognised as income to settle, the remaining proceeds is 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. 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.
THE DPF scheme has been abolished since 2017, replaced by the RCG Fund which is disclosed separately, though the historical balances remain until used or repaid.

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. 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

	2020			
	Turnover	Cost of sales	Operating expenditure	Operating surplus
	£'000	£'000	£'000	£'000
Social housing lettings	52,627	-	(35,860)	**16,767**
Other social housing activities				
Current asset property sales	6,752	(4,939)	(504)	**1,309**
Charges for support services	209	-	(317)	**(108)**
Supporting people	345	-	(203)	**142**
Other	594	-	-	**594**
	7,900	**(4,939)**	**(1,024)**	**1,937**
Gains on disposal of fixed assets-housing properties (note 6)				**439**
Activities other than Social Housing	3,595	(1,524)	(1,143)	**928**
	64,122	**(6,463)**	**(38,027)**	
				20,071

	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 (note 6)	-	-	-	**1,757**
Activities other than Social Housing	7,382	(5,236)	(1,418)	**728**
	66,934	**(9,424)**	**(37,361)**	
				21,906

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

3a Association – continuing activities

	2020			
	Turnover	Cost of sales	Operating expenditure	Operating surplus/(deficit)
	£'000	£'000	£'000	£'000
Social housing lettings	52,627	-	(35,860)	**16,767**
Other social housing activities				
Current asset property sales	6,752	(4,939)	(504)	**1,309**
Charges for support services	209	-	(317)	**(108)**
Supporting people	345	-	(203)	**142**
Other	594	-	-	**594**
	7,900	**(4,939)**	**(1,024)**	**1,937**
Gains on disposal of fixed assets-housing properties (note 6)				**439**
Activities other than Social Housing	3,576	(1,524)	(1,196)	**856**
	64,103	**(6,463)**	**(38,080)**	
				19,999

	2019			
	Turnover	Cost of sales	Operating expenditure	Operating surplus/(deficit)
	£'000	£'000	£'000	£'000
Social housing lettings	51,763	-	(35,364)	**16,399**
Other social housing activities				
Current asset property sales	6,493	(4,188)	(60)	**2,244**
Charges for support services	40	-	(305)	**(264)**
Supporting people	369	-	(215)	**154**
Other	888	-	-	**888**
	7,790	**(4,188)**	**(580)**	**3,022**
Gains on disposal of fixed assets-housing properties (note 6)	-	-	-	**1,756**
Activities other than Social Housing	4,004	(2,270)	(1,300)	**434**
	63,557	**(6,458)**	**(37,244)**	
				21,611

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 have not been 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

					2020	2019
	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	41,203	3,607	722	1,217	**46,749**	46,300
Service charge income	483	488	31	118	**1,120**	1,153
Other revenue income	3,330	590	109	1	**4,030**	3,725
Amortised government grants	470	10	14	224	**718**	523
Government grants taken to income	10	-	-	-	**10**	62
Turnover from social housing lettings	**45,496**	**4,695**	**876**	**1,560**	**52,627**	51,763
Management	(8,836)	(1,238)	(265)	(160)	**(10,499)**	(11,271)
Service charge costs	(1,305)	(242)	(43)	(168)	**(1,758)**	(2,650)
Routine maintenance	(5,409)	(623)	(34)	(75)	**(6,141)**	(4,845)
Planned maintenance	(2,567)	(291)	(22)	(33)	**(2,913)**	(3,638)
Major repairs expenditure	-	-	-	-	**-**	-
Bad debts	(495)	(23)	(31)	-	**(549)**	(178)
Depreciation of housing properties	(7,474)	(1,059)	(206)	-	**(8,739)**	(8,668)
Other costs	(4,408)	(627)	(83)	(143)	**(5,261)**	(4,115)
Operating costs on social housing lettings	**(30,494)**	**(4,103)**	**(684)**	**(579)**	**(35,860)**	(35,364)
Operating surplus on social housing lettings	**15,002**	**592**	**192**	**981**	**16,767**	16,399
Void losses	256	161	37	-	**454**	399

3c Particulars of income from non-social housing lettings

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Market sales	**1,813**	5,526	**1,813**	2,165
Solar panel income	**111**	295	**111**	295
Non-Social Rental income	**1,643**	1,269	**1,624**	1,251
Other income	**28**	293	**28**	293
	3,595	7,383	**3,576**	4,004

4 Accommodation in management and development

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

	Group		Association	
	2020	2019	**2020**	2019
	No of properties	No of properties	**No of properties**	No of properties
Social Housing				
General housing:				
- social rent	**7,232**	7,245	**7,232**	7,245
- affordable rent	**151**	110	**151**	110
Supported housing for older people	**754**	758	**754**	758
Low cost home ownership	**383**	334	**383**	334
Temporary social housing	**110**	113	**110**	113
Intermediate rent	**15**	15	**15**	15
Total social units owned:	**8,645**	8,575	**8,645**	8,575
Leased properties	**610**	602	610	602
Ground rent properties	**207**	205	207	205
Commercial properties	**37**	37	37	37
Market rent properties	**2**	3	1	2
Garages	**2,809**	2,854	2,809	2,854
Total non-social units owned	**3,665**	3,701	**3,664**	3,700
Total owned	**12,310**	12,276	12,309	12,275
Accommodation in development at year end	**179**	49	179	49

The Group owns seven supported housing units (2019: 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.

5 Operating surplus

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

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Amortisation of intangible Fixed Assets (note 13)	**144**	129	**141**	124
Depreciation of housing properties (note 14)	**8,829**	8,757	**8,829**	8,757
Depreciation of other tangible fixed assets (note 15)	**257**	319	**257**	319
Amortisation on Capital Grants	**(717)**	(524)	**(717)**	(524)
Auditors' remuneration (excluding VAT)				
Fees payable to the Association's auditors for the audit of financial statements	**34**	30	**34**	30
Audit of the financial statements subsidiaries	**6**	5	**-**	-
Total audit remuneration	**40**	35	**34**	30
Fees payable to the association auditors for non-audit services	**48**	37	**48**	37

6 Surplus on sale of fixed assets – housing properties

Group and Association

	Shared ownership	Other housing properties	**Total**	Total
	2020	2020	**2020**	2019
	£'000	£'000	**£'000**	£'000
Disposal proceeds	603	4,636	**5,239**	6,271
Cost of disposals	(370)	(582)	**(952)**	(868)
Recycled grant (note 23)	-	-		(24)
Community benefit fund (note 24)	-	(2,198)	**(2,198)**	(2,044)
Clawback agreement/deferred income	-	(133)	**(133)**	(563)
	233	1,723	**1,956**	2,772
Total deficit on sale of components	-	(1,517)	**(1,517)**	(1,015)
	233	206	**439**	1,757

7 Interest receivable and other income

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Interest receivable on deposits	**372**	511	**372**	511
Intercompany interest	**-**	-	**115**	113
Interest income from pension	**386**	412	**386**	412
	758	923	**873**	1,036

8 Interest and financing costs

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Defined benefit pension charge	**407**	414	**407**	414
Loans and bank overdrafts	**11,333**	11,677	**11,333**	11,677
Interest payable capitalised on housing properties under construction	**(965)**	(633)	**(965)**	(633)
Amortisation of bond premium	**(30)**	(30)	**(30)**	(30)
	10,745	11,428	**10,745**	11,428
Capitalisation rate used to determine the finance costs capitalised during the year	**3.9%**	3.9%	**3.9%**	3.9%

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				
	2020	2019	**2020**	2019
	FTE	FTE	**No.**	No.
Central Services	**12**	12	**19**	12
Development	**14**	11	**14**	12
Finance and Resources	**38**	31	**35**	34
Housing	**92**	127	**101**	145
Property	**73**	71	**74**	72
	229	252	**243**	275

9 Employees (continued)

Employee costs:

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Wages and salaries	**8,989**	9,439	**8,989**	9,400
Social security costs	**933**	905	**933**	901
Other pension costs	**561**	320	**561**	318
	10,483	10,664	**10,483**	10,619

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:

	2020	2019
	No.	No.
£60,001 to £70,000	**1**	5
£70,001 to £80,000	**3**	2
£80,001 to £90,000	**2**	1
£90,001 to £100,000	**2**	1
£100,001 to £110,000	**-**	1
£110,001 to £120,000	**-**	-
£120,001 to £130,000	**1**	1
£130,001 to £140,000	**1**	1
£140,001 to £150,000	**-**	-
£150,001 to £160,000	**-**	-
£160,001 to £170,000	**1**	1
	11	13

In the prior year, settle disclosed three salaries banded higher than disclosed in the 2019 column above. These were inclusive of pension and have been realigned with the 2020 statements for appropriate comparison.

10 Board members and executive directors

Executive directors

				2020	2019
	Basic Salary	**Employer's Pension**	**Employer's NI**	**Total**	Total
	£'000	**£'000**	**£'000**	**£'000**	£'000
Chief Executive					
Gavin Cansfield	**164**	**20**	**21**	**205**	205
Executive Director of Finance and Resources					
Nazar Al-Khalili	**-**	**-**	**-**	**-**	75
Richard Blakey	**135**	**13**	**17**	**165**	88
Executive Director of Customer Service					
Shaun Holdcroft	**-**	**-**	**-**	**-**	79
Anita Khan	**129**	**6**	**17**	**152**	70
	428	**39**	**55**	**522**	517

During the year, an amount of £10,200 (2019: £22,620) 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 £185k (2019: £184k).

Board members

	2020 Total	2019 Total
	£'000s	£'000s
Chair of Board		
Martin Nurse	**15**	15
Vice Chair		
Marie Li Mow Ching	**11**	11
Chair of Committee		
Elizabeth Froude	**11**	6
Philip Day	**-**	5
Board Members		
David Barnard	**-**	1
Christine Anthony	**4**	7
Stacey Brewer	**-**	3
Jane Gray	**-**	1
Victor Dove	**10**	9
Kay Vowles	**1**	7
Julian Baust	**8**	7
Robert Barton	**8**	4
Rosemary Farrar	**2**	-
Simon Oates	**8**	-
Audit & Risk Committee		
John Banks	**3**	3
Steve Stanbury	**1**	-
	82	79

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 and Association	
	2020	2019
	£'000	£'000
Basic salary	**1,195**	1,113
Loss of Office	**-**	37
Employers NIC	**124**	114
Pension contributions	**75**	50
Total	**1,394**	1,314

12 Tax on surplus on ordinary activities

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Current tax				
UK corporation tax on surplus for the year	**22**	(27)	**21**	(27)
Adjustments in respect of prior years - (credit)/charge	**-**	(5)	**-**	8
Total tax on results on ordinary activities	**22**	(32)	**21**	(19)

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19% (2019: 19%). The differences are explained as follows:

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Total tax reconciliation				
Surplus on ordinary activities before tax	**14,664**	10,451	**14,707**	10,270
Theoretical tax at UK corporation tax rate 19% *(2019:19%)*	**2,786**	1,985	**2,794**	1,951
- Expenses not deductible for tax purposes	**9**	181	**9**	174
- Income not taxable for tax purposes	**(2,701)**	(2,152)	**(2,782)**	(2,152)
- Deferred tax not recognised	**(55)**	(41)	**-**	-
- Adjustments made to tax charge in respect of previous tax periods	**-**	(5)	**-**	8
- Gift Aid relief	**(17)**	-	**-**	-
Total tax charge/(credit)	**22**	(32)	**21**	(19)

13 Intangible fixed assets

	Group		Association	
	Software	Total	Software	Total
	£'000	£'000	£'000	£'000
Cost				
As at 1 April 2019	856	**856**	838	**838**
Additions	536	**536**	536	**536**
Disposals	-	**-**		
As at 31 March 2020	1,392	**1,392**	1,374	**1,374**
Amortisation				
As at 1 April 2019	591	**591**	587	**587**
Amortised in the year	144	**144**	141	**141**
As at 31 March 2020	737	**737**	728	**728**
Net Book Value 2020	655	**655**	646	**646**
Net Book Value 2019	265	**265**	251	**251**

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 2019	**407,766**	**6,468**	**29,226**	**7,538**	**450,998**
Works to existing properties – Additions	7,545	16,894	-	14,632	**39,071**
Tenure reclassification	-	4,131	-	(4,131)	**-**
Interest capitalised	-	434	-	222	**656**
Transfer to WIP Held for Sale	-	(602)	-	(583)	**(1,185)**
Schemes completed	6,794	(6,794)	7,172	(7,172)	**-**
Disposals	(5,110)	-	(386)	-	**(5,496)**
At 31 March 2020	416,995	20,531	36,012	10,506	**484,044**
Depreciation and impairment					
At 1 April 2019	81,600	-	-	-	**81,600**
Depreciation charged in year	8,829	-	-	-	**8,829**
Impairment charged in the year	-	-	-	-	**-**
Released on disposal	(3,127)	-	-	-	**(3,127)**
At 31 March 2020	87,302	-	-	-	**87,302**
Net book value					
At 31 March 2020	**329,693**	**20,531**	**36,012**	**10,506**	**396,742**
At 31 March 2019	326,166	6,468	29,226	7,538	369,398

The housing property stock is held at cost, at each year end the stock is externally re-valued by Jones Lang LaSalle using EUV-SH and MV-STT valuation methods. This valuation does not include uncharged properties.

	2020	2019
	£'000	£'000
EUV-SH valuation	**519,806**	508,020

An ongoing exercise to allow some housing assets to be charged at MV-STT continued in 2019/20. This will unlock significant charging value of unencumbered assets once it concludes during 2020/21.

Expenditure on works to existing properties

	Group and Association	
	2020	2019
	£'000	£'000
Improvement works capitalised	**7,545**	3,757
Amounts charged to income and expenditure	**2,047**	2,673
	9,592	6,430

Social Housing Grant

	Group and Association	
	2020	2019
	£'000	£'000
Received or receivable at 31 March	**46,485**	45,887
Grants received and other transfers	**5,862**	1,355
Recognised in the Statement of Comprehensive Income	**(703)**	(757)
Held as deferred income	**51,644**	46,485

Finance costs

	Group and Association	
	2020	2019
	£'000	£'000
Aggregate amount of finance costs included in the cost of housing properties	**6,295**	5,639

Impairment

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

15 Tangible fixed assets – other

	Group and Association					
	Freehold offices	Long lease-hold property	Computers and office equipment	Furniture, fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2019	4,135	2,317	1,565	388	880	9,285
Additions	736	-	-	61	-	797
Disposals	-	(2,317)	(169)	-	-	(2,486)
At 31 March 2020	**4,871**	**-**	**1,396**	**449**	880	**7,596**
Depreciation						
At 1 April 2019	731	900	1,006	146	879	3,662
Charged in the year	90	13	114	39	1	257
Eliminated on Disposal	-	(913)	-	-	-	(913)
At 31 March 2020	**821**	**-**	**1,120**	**185**	**880**	**3,006**
Net book value						
At 31 March 2020	**4,050**	**-**	**276**	**264**	**-**	**4,590**
At 31 March 2019	3,404	1,417	559	242	1	5,623

16 Investment properties

Investment properties were valued as at 31 March 2020. 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	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
At 1 April	**1,500**	1,705	**1,000**	1,180
Transfer to housing properties	**-**	(180)	**-**	(180)
(Decrease)/increase in value	**-**	(25)	**-**	-
At 31 March	**1,500**	1,500	**1,000**	1,000

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

17 Investments

	Group and Association				
	Subsidiary undertakings	**Associated undertakings**	**Cash and similar investments**	**Total 2020**	Total 2019
	£'000	**£'000**	**£'000**	**£'000**	£'000
Cost/valuation					
At 1 April 2019	**-**	20	7,346	**7,366**	7,312
Additions	**-**	-	-	**-**	20
Increase in valuation	**-**	-	82	**82**	34
At 31 March 2020	**-**	20	7,428	**7,448**	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 2020 and are recorded in the accounts at the market value £7,428k at that date (2019: £7,346k).

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

18 Properties for sale

	Group and Association	
	2020	2019
	£'000	£'000
Shared ownership first tranche development		
Completed Properties	**2,122**	1,737
Work in progress	**11,382**	2,514
	13,504	4,251
Properties developed for outright sale		
Completed properties		-
Work in progress	**1,377**	7,132
	14,881	11,383

19 Debtors

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Due within one year				
Rent and service charges receivable	**2,545**	2,453	**2,545**	2,453
Less: provision for bad and doubtful debts	**(1,831)**	(1,408)	**(1,831)**	(1,408)
	714	1,045	**714**	1,045
Amounts due from Group undertakings	**-**	-	**-**	2,100
Other debtors	**1,949**	630	**1,949**	568
Corporation tax	**-**	32	**-**	19
Prepayments and accrued income	**1,733**	1,366	**1,733**	1,366
	4,396	3,073	**4,396**	5,098

Social housing rental arrears were 2.29% at the end of the year (2019: 2.55%).

The intra-Group balances were loans made to Rowan Homes (NHH) Ltd (note 33); they were charged interest at 4.12% (2019: 4.12%). The final repayment date of the loan was 30 September 2021.

20 Creditors: amounts falling due within one year

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Amounts Due to Group undertaking	**-**	-	**14**	-
Debt (note 26)	**4,500**	4,500	**4,500**	4,500
Trade creditors	**1,344**	1,108	**1,344**	1,108
Rent and service charges received in advance	**1,587**	1,604	**1,585**	1,604
Deferred capital grant (note 22)	**770**	531	**770**	531
Recycled capital grant fund (note 23)	**216**	108	**216**	108
Community benefit fund (note 24)	**14,275**	12,797	**14,275**	12,797
Disposal proceeds fund (note 25)	**651**	1,000	**651**	1,000
Other taxation and social security	**359**	293	**359**	293
Corporation tax	**4**	-	**2**	-
Other creditors	**64**	102	**64**	102
Accruals and deferred income	**7,099**	6,218	**7,015**	6,058
	30,869	28,261	**30,795**	28,101

21 Creditors: amounts falling due after more than one year

	Group and Association	
	2020	2019
	£'000	£'000
Debt (note 26)	**259,480**	278,200
Deferred bond premium	**723**	753
Derivative fair value	**56,283**	46,836
Deferred income > 1 year	**695**	-
Deferred capital grant (note 22)	**50,874**	45,954
Recycled capital grant (note 23)	**10**	211
Disposal proceeds fund (note 25)	**10**	15
	368,075	371,969

22 Deferred capital grant

	Group and Association	
	2020	2019
	£'000	£'000
Total Grant at 1 April	**51,649**	50,495
Received during the period	**5,242**	704
Allocated to development (n23)	**-**	348
Allocated to development (n24)	**720**	-
Allocated to development (n25)	**-**	302
Grant recycled	**-**	(9)
Released on disposal	**(100)**	(191)
Total Grant at 31 March	**57,511**	51,649
Total amortisation at start of year	**5,164**	4,607
Released to income in the year	**717**	568
Released on disposal	**(14)**	(11)
Total amortisation at end of period	**5,867**	5,164
Net Book Value	**51,644**	46,485

23 Recycled capital grant fund

	Group and Association	
	2020	2019
	£'000	£'000
At 1 April	**319**	631
Recycled from disposals	**-**	24
Recycled from deferred grant (note 22)	**-**	9
Interest in year	**-**	3
Allocation to development	**-**	(348)
Repaid in year	**(93)**	-
At 31 March	**226**	319

24 Community benefit fund

	Group and Association	
	2020	2019
	£'000	£'000
At 1 April	**12,797**	10,753
Net sales proceeds recycled	**2,198**	2,044
Allocated to Development (n22)	**(720)**	-
At 31 March	**14,275**	12,797

In 2003, settle was the recipient of a Large-Scale Voluntary Transfer (LSVT) of housing properties from North Hertfordshire County 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 and Association	
	2020	2019
	£'000	£'000
At 1 April	**1,015**	1,308
Interest	**1**	9
Allocated to development (note 22)	**-**	(302)
Repaid in year	**(355)**	-
At 31 March	**661**	1,015

26 Loans and borrowings

Debt analysis

	Group and Association	
	2020	2019
	£'000	£'000
Not later than 1 year		
Bank loans	**4,500**	4,500
Later than 1 year 5 not later than five years		
Bank loans	**164,500**	182,300
Harbour Funding Plc.	**86,336**	86,336
GBSH bond	**10,000**	10,000
Total due after more than one year	**260,836**	278,636
Total borrowing commitments	**265,336**	283,136
Less amortised borrowing costs	**(1,356)**	(436)
Total loans	**263,980**	282,700

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 2038, floating rates based on monthly LIBOR plus a margin between 42bpts and 210bpts.

The bonds are repayable in 2038 and 2044, at fixed rates of interest between 5.19% and 5.28%.

At 31 March 2020 the Group had undrawn loan facilities of £47.0m (2019: £8.7m). The Group negotiated an extension of the drawdown date for the undrawn facilities to September 2024.

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

	Group and Association	
	2020	2019
	£'000	£'000
Within one year or on demand	**4,500**	4,500
One year or more but less than two years	**4,500**	6,300
Two years or more but less than five years	**46,000**	23,000
Five years or more	**210,336**	249,336
	265,336	283,136

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 2020 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 NHDC. 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 NHDC.

The employer's contributions to the LGPS by the Group for the year ended 31 March 2020 were £173k (2019: £180k) at a contribution rate of 21.2% of pensionable salaries.

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. The impact of the case has now been implicitly built into the new actuarial valuation of the fund for the three-year period starting 1st April 2020.

Principal actuarial assumptions: Financial assumptions Financial assumptions

	31 March 2020 % per annum	31 March 2019 % per annum
Discount rate	**2.3%**	2.4%
Future salary increases	**2.3%**	2.6%
Future pension increases	**1.9%**	2.5%

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2020 and March 2019 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:

	2020	2019
	No. of years	No. of years
Retiring today:		
Males	**21.9**	22.5
Females	**24.1**	24.9
Retiring in 20 years:		
Males	**22.8**	24.1
Females	**25.5**	26.7

Amounts recognised in surplus or deficit

	2020	2019
	£'000	£'000
Current service cost	363	335
Amounts changed to operating costs	**363**	335

	2020	2019
	£'000	£'000
Expected return on scheme assets	(386)	(412)
Interest on scheme liabilities	407	414
Amounts credited to other finance costs	**21**	2

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

	2020	2019
	£'000	£'000
Opening scheme liabilities	**(16,939)**	(16,995)
Current service cost	(363)	(335)
Interest cost	(407)	(414)
Remeasurements	2,396	154
Benefits paid	432	651
Closing scheme liabilities	**(14,881)**	(16,939)

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

	2020	2019
	£'000	£'000
Opening fair value of plan assets	**16,186**	15,503
Interest income	386	412
Return on plan assets (in excess of interest)	5	742
Contributions by employer	173	180
Benefits paid	(432)	(651)
Closing fair value of plan assets	16,318	16,186
	2020	2019
	£'000	£'000
Net pension asset / (liability)	**-**	(753)

While the calculations above would leave settle in a surplus position of £1.4m, LGPS has yet to demonstrate that the Association could take advantage of the asset position in reduced payments or take ownership upon death of the final living scheme member. As a direct result, settle cannot recognise the surplus as LGPS does not form a debtor to the Association. The pensions liability is therefore capped at nil, leaving a total movement in reserves of 964k, comprised of the previous year's liability and the current year movements.

	2020	2019
	£'000	£'000
Remeasurements	**2,396**	154
Return on plan assets (in excess of interest)	**5**	742
Actuarial gain in respect of pension schemes	**2,401**	896

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

	2020	2019
	%	%
Equities	**48%**	50
Bonds	**39%**	38
Properties	**8%**	8
Cash	**5%**	4

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.

	2020	2019
	No.	No.
Number of members		
At 1 April	8	8
At 31 March	**8**	8

29 Cash flow from operating activities

	2020	2019
	£'000	£'000
Surplus for the year	**20,071**	21,136
Adjustments for non-cash items:		
Surplus on disposals of fixed assets	**(313)**	(1,757)
Amortisation of intangibles	**145**	128
Depreciation of tangible fixed assets housing properties (note 14)	**8,829**	8,757
Depreciation tangible fixed assets Other fixed assets (note 15)	**257**	319
Impairment	**352**	-
Amortisation of grant income	**(717)**	(524)
Surplus of revaluation of fixed assets	**-**	25
(Increase) / decrease in work-in-progress	**(3,498)**	1,739
(Increase) / decrease in stock	**(63)**	64
(Increase) in trade and other debtors	**(1,323)**	(483)
Increase / (decrease) in trade and other creditors	**916**	(378)
Net cash generated from operating activities	**24,656**	29,026

30 Capital commitments

	Group and Association	
	2020	2019
Capital expenditure	**£'000**	£'000
Expenditure contracted for but not provided in the accounts	**44,526**	25,854
Expenditure authorised by the Board, but not contracted	**72,403**	47,928
	116,929	73,782

All costs highlighted in the table above relates to our development activities.
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 *(2019: 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. (2019: £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	
	2020	2019		**2020**	2019
	£'000	£'000		**£'000**	£'000
Net cash inflow from non-regulated entities in the group	**(18)**	2,293		**-**	-
Interest	**115**	113		**-**	-
Overheads	**173**	171		**-**	-
	270	2,577		**-**	-

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	
	2020	2019		**2020**	2019
	£'000	£'000		**£'000**	£'000
Amount due from/(to) in respect of loans	**(14)**	2,100		**-**	-

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

During the year no compensation (2019: £37k) 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 £10,200 (2019: £22,620) to settle group during the year.

settle