

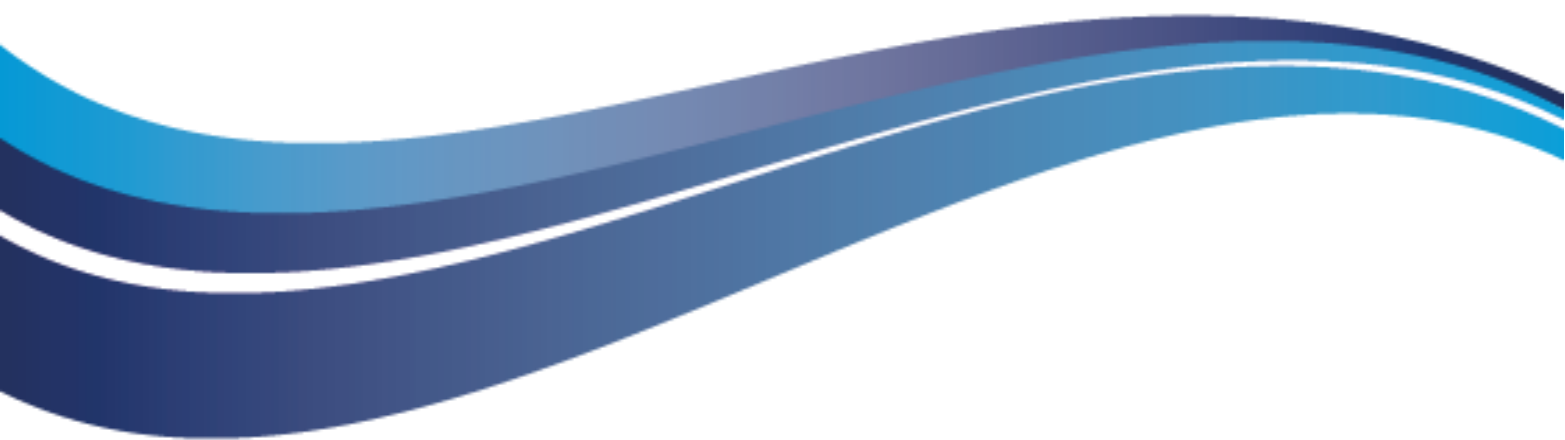
*Creating great homes and supporting communities*



# Two Rivers Housing

## Annual Report and Financial Statements

For the year ended  
31 March 2020



Registered number 04263691  
Regulator Registration Number L4385

# **Two Rivers Housing**

## **Report and Financial Statements for the Year Ended 31 March 2020**

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## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

### Company Information

#### Executive Directors

Garry King BA (Hons), MBA (Dip), DIP Housing Admin. FCIH (Chief Executive)  
 Peter Stoate Bsc (Hons), ACIB, MBA (Dip), (Corporate Director - Operations)  
 Carol Dover BA (Hons), ACMA (Corporate Director - Resources), appointed March 2019  
 Tom Hailey (Interim Corporate Director - Operations)  
 Barry Thompson CIPFA (Corporate Director - Resources), resigned April 2019

#### Board Members

Yvonne Leishman OBE BA FCIH (Chair)  
 John Bloxsom MBA, Prince2 FCIH  
 Susan Holmes  
 Rita Jones  
 Tim Jackson FCA BSc (appointed May 2018)  
 Edward Pearce BA (Hons) FRICS FRSA FRGS (appointed May 2019)  
 Neil Sutherland OBE DL, BSc (Eng), MA, CEng, CMgr, FICE, FCMI

**Secretary** Garry King

**Registered Office** Rivers Meet  
 Cleeve Mill Lane  
 Newent  
 Gloucestershire  
 GL18 1DS

**Company Registration Number** 04263691

**Charity Registration Number** 1104723

**Auditor** Mazars LLP  
 45 Church Street  
 Birmingham  
 B3 2RT

**Funders** Barclays Bank

**Solicitors** Anthony Collins Solicitors  
 Wright Hassall  
 Trowers & Hamlin

## **Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020**

### **Chair's Statement**

I am pleased to report on another successful year for the Two Rivers Housing Group.

2019/20 brought a number of challenges, both for Two Rivers and the housing sector as a whole. While the Group managed its fourth year of rent cuts, it also faced increased costs arising from the recommendations of the Grenfell Enquiry and ongoing pressure on its customers income from benefit changes. The financial year ended with the arrival of the Coronavirus outbreak impacting on the organisation, its customers and the wider economy.

Two Rivers Housing Group is a community-based organisation, driven by its social purpose. While much of our work is focussed on the practicalities of providing homes, behind that our fundamental concern is the welfare of our customers. People depend on us, not just to provide a roof over their heads, but also for a range of services to help them continue to live independently and well.

Our response to the current challenges has been robust. We have revised our strategic plan, including business plan finances, and continue to focus on areas of health and safety, customer support, value for money, risk and treasury management to maintain a firm financial footing through these unprecedented times. We have also provided assurance to the Group Board and our wider stakeholders that our strategic plan has been significantly tested.

The Group's financial outturn for 2019/20, in line with its business plan with the exception of property disposals, continues to give us a strong foundation on which to deliver our ambition. We aim to provide the best landlord services we can to our customers, support the wider communities in which we work and provide a much-needed new homes programme.

My particular thanks go to all our colleagues at Two Rivers, who have continued to provide exemplary support to our customers throughout these difficult times and have been responsible for delivering the excellent results this year.

My thanks also to fellow Board and committee members, and to all our involved residents who, through their committed and enthusiastic support, have ensured we never lost sight of our aims.

  
Yvonne Leishman (Aug 12, 2020 10:25 GMT+1)

**Yvonne Leishman OBE**  
Chair

Aug 12, 2020

## **Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020**

### **Chief Executive's Foreword to the Financial Statements**

As a community-based housing association, our focus is to 'create great homes and support communities'. Over the last financial year, we have continued our journey, delivering high quality services to our customers and providing a range of affordable new homes for those that need them.

We have invested in our services, homes and the communities we serve, and the results achieved are in many cases ahead of other landlords. This reflects the energy and enthusiasm of everyone involved with the organisation.

While financial results are part of the story, we are a 'not for profit' organisation and this means we have no shareholders to pay but reinvest all our resources into home and communities. At the heart of our organisation is a social purpose. The provision of quality affordable homes enables us to make a real difference to the prosperity of our tenants and their communities.

However, we remain mindful of the need for Two Rivers Housing to remain an attractive partner for investors and funders and our financial results demonstrate that Two Rivers Housing remains a resilient and financially strong organisation.

At the end of the reporting period we witnessed one of the most calamitous times in our history as the Covid-19 pandemic hit the UK. The pandemic has shown the need for everyone to have access to good quality, affordable homes and the key role that organisations like Two Rivers can have in supporting local communities.

For a short period, our services were reduced or stopped as we took stock of the situation. As we entered a time of great uncertainty, not only for our organisation but for the entire UK, the organisation came together to respond to this challenge. As a result, we were able to continue providing services such as emergency repairs and daily check-ins with our most vulnerable customers. We were also able to make properties available to Local Authorities for emergency accommodation.

I am immensely proud of the way our dedicated team have and continue to respond to these unprecedented events. Thanks to their hard work and, with the support of our tenants, we have worked through this period with calmness and purpose, while fully following the local and national advice.

The full effects of the pandemic will no doubt be felt for many months to come. However, the actions of our team have enabled us to navigate these uncertain times while maintaining investment in our homes and continuing to deliver our ambitious growth plans. I am confident that our approach and recovery plans will enable us to move forward with key projects such as our development programme, environmental strategy and investment in our team.

Our financial position remains robust, with a turnover of £26.9m and a total surplus of £3.3m for this financial year. Over the past year we have spent £20.3m building 187 new homes, and £2.9m upgrading our existing homes.

We have also made significant progress on our ambition to deliver 1,000 new affordable homes by 2028, delivering 187 new homes for rent or Shared Ownership in 2019/20 and are already making good progress on building 123 during the current financial year.

Alongside our development programme, we invested in a full carbon audit across our entire organisation. This investment will enable us to plan our route to becoming a carbon neutral organisation over the coming years and is an important part of our environmental strategy.

Externally, the Regulator confirmed our financial viability (V1) and governance ratings (G1), and landlord compliance remains in line with legal and regulatory requirements.

As the lockdown restrictions ease across the country, we will continue to campaign for the provision of affordable homes in our local communities and to provide support where we can, to those in need during what will be a challenging 12 months ahead.

## **Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020**

As an anchor organisation, we can help to play an important part in the local economic recovery by supporting our employees, local suppliers and organisations and in keeping people safe and healthy.

The financial results and our response to the pandemic are a true testament to the hard work of our employees, Board members, partners and contractors, who have shown great commitment in delivering our services. I certainly appreciate their continued commitment and I know our communities appreciate the difference that the association is making each year.

A handwritten signature in blue ink that reads 'Garry King'. Below the signature is a blue horizontal line.

Garry King (Aug 12, 2020 09:54 GMT+1)

**Garry King**  
Chief Executive

Aug 12, 2020

## **Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020**

### **Report of the Board**

The Group Board is pleased to present its report together with the audited financial statements for the year ended 31 March 2020.

### **Principal Activities**

Two Rivers Housing (TRH) is a company limited by guarantee, Registered No. 04263691, with direct subsidiaries which includes Two Rivers Developments, Centigen TRH and Centigen Facilities Management (private companies limited by shares) and Two Rivers Initiatives (a charitable and community interest company).

It is also registered with, and regulated by, the Regulator of Social Housing in accordance with the Housing and Regeneration Act 2008, Registered No. L4385.

The company's overall aim is to create great homes and to support communities. Its principal activities are the management and development of affordable housing in the Forest of Dean and surrounding areas.

### **Review of Performance**

Details of the Group's and Association's performance for the financial year and its future plans are set out in the strategic report that follows this report.

### **Housing Property Assets**

Details of the changes to the Group's fixed assets are shown in note 11 to the financial statements.

### **Political and Charitable Donations**

No charitable donations were made during the financial year (2019: £nil).

No political donations were made during the financial year (2019: £nil).

### **Reserves**

The Group surplus on reserves at the end of the financial year was £49.8m (2019: £44.7m). This is after the transfer of the comprehensive income for the financial year of £5.1m (2018: £3.1m).

### **Post Balance Sheet Events**

There are no significant post balance sheet events requiring adjustment to, or disclosure in, the financial statements.

### **Payment of Creditors**

In line with government guidance, the Group's aim is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier.

## **Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020**

### **Board Members**

The Board Members who were in office during the year and up to the date of signing the financial statements are set out below:

Yvonne Leishman OBE BA FCIH (Chair)

John Bloxsom MBA, Prince2 FCIH

Susan Holmes

Rita Jones

Tim Jackson FCA BSc

Edward Pearce BA (Hons) FRICS FRSA FRGS (appointed May 2019)

Neil Sutherland OBE DL, BSc (Eng), MA, CEng, CMgr, FICE, FCMI

The Group Board comprises of seven members, including one tenant Board member.

The Group has insurance policies that indemnify both its Board members, Executive Directors and officers against liability when acting for the companies.

Executive Directors are not Board members and act as executives within the authority delegated to them by the Board.

### **Partnerships**

The strength of the Group lies in the quality and commitment of its employees. The Group's ability to meet its objectives and commitments to customers in an efficient and effective manner depends on the contribution of its employees throughout the year. Consultation and communication take place through regular briefings, discussions, team meetings and events, together with externally accredited assessments of our engagement and employment practices.

The Group is committed to eliminating discrimination and harassment and promoting equality and diversity.

Two Rivers Housing actively encourages customer involvement and engagement. We support a Tenant led 'Challenge and Change' group with direct access to the Group Board, carry out regular, independent surveys using the STAR methodology to understand more about the quality of our service, conduct external benchmarking against other comparable organisations, providing an insight that helps to drive improvements and value-for-money initiatives. These all help the Boards, employees and customers to play an active role in shaping the future provision of services.

The Group's commitment is not purely to its customers, but also to the wider community, and our membership of the national PlaceShapers group of housing associations underlines our commitment to both tenants and communities.

The Group supports a wide range of charities, community groups, schools and colleges through its Helping Hands initiative together with a community fund managed in conjunction with builders' merchant Travis Perkins. In 2019/20, 72 employees gave nearly 533 hours of time to the Helping Hand initiative and the community fund has provided over £12,000 of funding to support local initiatives.

A number of activities and training opportunities have been organised to benefit our tenants and other members of the community in collaboration with Adult Education Gloucestershire, such as digital photography and basket weaving. We have also held Holiday Clubs and events to help reduce the impact of loneliness and isolation.

We are active partners in the Cinderford Regeneration Board, the GFirst Local Enterprise Partnership, Gloucestershire Homes and Communities Partnership, and the Forest Economic



## **Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020**

Partnership, and we also work with the police, health and local authorities to help achieve safe, healthy and sustainable communities.

We are full participants in Gloucestershire Homeseeker, providing homes by nomination from local councils, and we work closely with local authority partners to deliver affordable housing. We have a valuable Partnership Forum with Forest of Dean District Council, together with good working arrangements with Stroud District Council, Gloucester City Council, Tewkesbury Borough Council, Cotswold District Council and Herefordshire Council.

### **Governance and Financial Viability Standard**

The Group is registered with Homes England and complies with the Regulatory Framework of Social Housing through the Regulator of Social Housing. In 2018 the Group was subject to an In-Depth Assessment of its Governance and Viability Standard and was awarded the highest level of rating for both Governance and Viability (G1, V1 rating). We are pleased to confirm that this has been reaffirmed in 2019.

On 30 July 2020, the Group Board considered a report in relation to a self-assessment of Two Rivers Housing's compliance with the Governance and Viability Standard. The Group Board concluded that Two Rivers Housing complied with the Governance and Financial Viability Standard.

### **National Housing Federation Code of Governance**

The Group Board has adopted the National Housing Federation's 'Code of Governance: Promoting Board Excellence for Housing Associations (2015 edition)' and confirms that the Group complies fully with the Code.

### **Health and Safety**

The Group Board is aware of its responsibilities on matters relating to health and safety and the Group has detailed policies and procedures in place. The Group complies with the Health and Safety at Work Act 1974 and other relevant legislation.

In 2020 the company celebrated receiving its seventh consecutive RoSPA Gold Medal. The Gold Medal is awarded by RoSPA to organisations sustaining high standards of health and safety over consecutive years. The RoSPA awards scheme receives entries from organisations around the world and recognises achievements in health and safety management systems, including practices such as leadership and workforce involvement.

### **Public Benefit**

In setting out the Group's aims and objectives, the Group Board has given careful consideration to the Charity Commission's general guidance on public benefit.

## **Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020**

The Group Board confirms that the company complies with the public benefit criteria by:

- The provision of social housing.
- Ensuring that rents are charged within the parameters of the Group's rent policy and in accordance with the Regulator's rent standard and guidance.
- Ensuring that housing is let on the basis of need.
- Valuing diversity through the Group's equality and diversity policy.

Details of the Group's performance in achieving this in the year to 31 March 2020 are included in the strategic report.

### **Internal Controls Assurance**

The Group Board is ultimately responsible for ensuring that the company maintains a system of internal control that is appropriate to the business environments in which it operates. The company adheres to the NHF Code of Governance.

Internal control systems are designed to meet the particular needs of the organisation and the risks to which it is exposed. The Group Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate risk of failure to achieve business objectives.

The system of internal control is designed to manage key risks to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance with respect to:

- the reliability of financial and operational information;
- safeguarding of the company's assets and interests.

The purpose of this statement is to enable the Group Board in turn to give its assurance on the adequacy of those controls. The Group Board is required to acknowledge its responsibility for:

- Internal controls giving reasonable assurance against material misstatement or loss;
- Procedures in respect of risk management;
- Ensuring arrangements for providing effective internal controls are incorporated into normal governance procedures;
- Information on the process adopted for addressing material control aspects of significant problems disclosed in the annual report and accounts; and
- Confirming that the Group Board has reviewed the effectiveness of these systems of control; and
- Complying with all relevant law.

Two Rivers Housing has policies and procedures in place which cover and give assurance in respect of all our key activities. These include:

- Accounting and treasury policies;
- Financial regulations;
- Standing orders relating to contracts;
- Annual budgets;
- Fraud policy;
- 30-year financial plan;
- Probity Policy; and
- Risk map and plan.

## **Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020**

In addition, wherever feasible, segregation and separation of duties has been undertaken to maximise control.

Control is further strengthened by the use of RSM as our internal auditors. The internal auditors prepared a plan which was approved by the Group Audit Committee and was delivered and monitored by the Committee and Group Board during the year.

The Group has in place policies in respect of preventing, detecting and investigating fraud and the Group Board is satisfied that these effectively manage the risk of fraud.

There have been 2 reported cases of fraud during the year but no reported breakdowns of internal control causing significant or material loss to the Group.

The Group Board has received the Chief Executive's annual report, has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

The Group Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group. This process has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board.

### **Financial Risk Management**

Two Rivers Housing is funded by a combination of retained reserves, long-term loan facilities and grants from government and local authority. The Group has a formal treasury management policy that was approved by the Audit Committee in July 2020.

This policy seeks to address funding and liquidity risk and ensuring group covenant compliance; it states which types of financial instruments can be authorised for use, covering both borrowings and investments. In addition, the policy identifies the maximum value of financial instruments and with whom they may be agreed. The purpose of this policy is to reduce the impact of adverse movements in interest rates and fluctuations in income (especially sales) to the Group.

In accordance with this policy, neither the company nor any of its subsidiary undertakings have any abnormal exposure to price, credit, liquidity, and cash flow risks arising from its trading activities. They do not enter into any hedging transactions and no trading in financial instruments is undertaken.

### **Annual Members Meeting**

The Annual Members Meeting will be held on 22 September 2020. Due to the COVID-19 emergency the meeting will be held virtually.

### **Independent Auditor**

Mazars LLP were appointed by the Group Board on 8 August 2019. A resolution to reappoint Mazars LLP, as an independent auditor, will be put to the members at the Annual Members Meeting.

The report of the Group Board was approved by the Group Board on 30 July 2020 and signed on its behalf by:

  
Yvonne Leishman (Aug 12, 2020 10:25 GMT+1)

**Yvonne Leishman**  
Chair

Aug 12, 2020

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

### Strategic Report

#### Background and Business Model

Two Rivers Housing (TRH) is a not-for-profit organisation providing homes and support services to people and communities across the Forest of Dean and the surrounding area. It was formed following the large-scale voluntary transfer of properties from the Forest of Dean District Council in 2003. Two Rivers Housing is the parent of the Group, which has four subsidiaries:

- Two Rivers Developments designs, builds and sells homes for both Two Rivers Housing and open market sale, with the profits being gift-aided to the parent.
- Centigen Facilities Management delivers maintenance and facilities management to external organisations.
- Centigen TRH delivers maintenance and facilities management to Two Rivers Housing.
- Two Rivers Initiatives is a charitable and community interest company providing support and funding of community activities and initiatives within the local area.

Tandem Living and TwoCan Estate Agents are brands promoting products and services that are delivered by Two Rivers Developments and Centigen FM respectively.



At 31 March 2020 it managed 4,215 homes including 4,171 social housing properties with related support, two market rent properties and 44 leasehold properties. However, Two Rivers is more than just a landlord, it exists to create great homes and support communities.

## **Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020**

### **Objectives and Strategy**

The company's corporate plan is supported by four strategic priorities, our tenants, customers and their homes, our people, Income and growth and governance and viability. These provide clear areas of focus for the organisation and its employees and enable the leadership team to monitor progress against the organisation's mission.

In the 2019/20 financial year, Two Rivers set the following core objectives under each of its strategic priorities:

#### Our tenants, customers and their homes

- Achieve 89% customer satisfaction with Two Rivers Housing as a landlord (STAR Survey).

#### Our people

- Remain an excellent employer in the eyes of an accrediting organisation.

#### Income and growth

- To increase Two Rivers Housing Group turnover by 10% in the year.

#### Governance and viability

- Achieve an EBITDA MRI operating margin in excess of 29% in 2019/20.

These objectives were supported by key strategic initiatives and projects in the corporate plan and were monitored by the Group Board.

### **2019/20 core objectives performance**

#### Our Tenants, customers and their Homes

Across the financial year Two Rivers achieved a customer satisfaction score of 87%, just short of our 89% target. Over the course of the financial year we have seen steady improvement towards our goal of achieving 89% satisfaction scores. The overall indicator increased by 1% in 2019/20 and of the other eight key indicators, three key indicators reduced slightly, two remained static and three improved.

#### Our People

Building on the success of placing eleventh in the Sunday Times Top 100 Best Not-for-Profit organisations to work for in 2018, Two Rivers completed its re-accreditation for Investors in People (IIP) at the end of the financial year. Two Rivers has once again achieved 'We invest in people' gold accreditation in 2020 a result that everyone at the company can be proud of. Investing in its people is a key priority and the report produced by IIP will be used to help shape its people strategy going forward.

#### Income and Growth

At a Group level turnover increased by 6% in the year. While the Group did not achieve the targeted 10% increase, there are still positives to celebrate. Centigen Facilities Management, the Group's external facilities management and maintenance subsidiary, delivered a small surplus for the first time since its inception, despite the loss of a sizeable contract.

#### Governance and Viability

In the 2019/20 financial year Two Rivers delivered an EBITDA MRI operating margin of 31%, 2% above its target for the year. The Regulator also re-affirmed the G1 (Governance / V1 (Viability) rating following the IDA in 2018.

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

In 2020, the company reviewed and adjusted its strategic priorities in order to further focus in on the key areas that underpin the company's mission. Under each strategic priority is a clear vision of what success looks like and these are supported by key projects and objectives that move the company towards its mission of creating great homes and supporting communities.



### Our Homes

- All of our homes are considered to be good quality, secure, safe, affordable and as energy efficient as possible.
- We will provide 5,000 affordable homes by 2028 to help meet the needs of the communities we work with.



### Our People

- Our colleagues feel supported and valued and are committed to making our business a success.
- Our colleagues have the right training, tools and environment to deliver a first class service to our customers.
- Our colleagues actively engage with the business in order to improve the services we provide to our customers.



### Our Customers

- Our tenants actively engage with us and provide ideas, feedback and information on our services.
- Our tenants know that we take their feedback on board and agree that we use this to improve our services and develop new services to help them and the wider community to flourish.



### Our Corporate Health

- Our organisation will remain financially strong and maintain its G1 rating from the Regulator.
- We will understand our environmental impact and work towards becoming carbon zero by or before 2050.

## Corporate Plan Objectives 2020/21

In the 2020/21 financial year, Two Rivers has set the following core objectives under each of its strategic priorities:

### Our Customers

- Achieve 88% customer satisfaction with Two Rivers Housing as a landlord (STAR Survey).

### Our Homes

- Achieve 100% Decent Homes Standard.
- Achieve 100% SAP rating of band D or above.
- To deliver 100 new homes (three-year average).

### Our People

- Remain an excellent employer in the eyes of an accrediting organisation.
- % of voluntary leavers to be less than 6% of employees.

### Our Corporate Health

- Achieve an operating margin in excess of 26.8%.
- Management cost per property to be held at the 2020 level of £1,155 per property.
- 100% Landlord compliance for the year.
- Achieve regulatory judgement of G1/V2 or above.



## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

### Operating and Financial Review

The Group Board is pleased to report a Group surplus for the year of £3.3m (2019: £4.4m) and an Association surplus for the year of £3.4m (2019: £4.4m) in what has been another successful year for Two Rivers Housing.

The total comprehensive income for the year for the Group is £5.1m (2019: £3.1m) and at an Association level is £5.2m (2019: £3.1m).

Throughout 2019/20, Two Rivers has continued to invest in its existing stock in order to ensure its homes meet and exceed the Decent Homes Standard. The cost of this investment was £2.9m for the year (2019: £2.4m).

Further investment was made in its commitment to provide 1,000 new affordable homes by 2028. An investment of £20.1m (2019: £14.4m) was made and saw the delivery 187 new homes for the year, well above the company's annual target of 100 per year.

Alongside this, Two Rivers continued to invest in support services for its most vulnerable tenants including a new tenant welfare service provided by Life & Progress to help tenants cope with the impact of lockdown and Covid-19. This continued investment has provided really positive results for our customers.

### Operational Performance Indicators

The Association monitors and benchmarks its ongoing performance. Key performance indicators are monitored on a monthly basis with reports to Group Board delivered on a quarterly basis. This enables the company to identify areas for improvement and take corrective action where necessary.

The following results were achieved in 2019/20:

	Performance 2020	Target 2020	Performance 2019	Top Quartile (i4H) 2019
Rent collected %	99.7%	99.95%	99.98%	97.7%
Rent lost due to voids %	0.85%*	1.00%	0.64%	0.78%
Decent homes standard % compliance	100%	100%	100%	100%
Valid gas certificate % compliance	100%	100%	100%	100%
Current tenant arrears %	1.49%	1.65%	1.27%	2.16%
Average re-let time (days)	16.7	15.0	19.9	22.8
Routine repairs completed on time (%)	91%	97%	91%	-
Customer satisfaction (%)	87%	89%	86%	86%

\*The underlying rent lost due to voids excluding Johnstone Close, a scheme earmarked for regeneration, is 0.58%.

Management of arrears remains strong, particularly given that at 31 March 2020, 24.5% of customers were claiming Universal Credit. Of the 980 claimants, 54.6% were in credit on their rent account with the remaining 45.4% in arrears and owing an average of £400 each.

Two Rivers continues to assess our existing property assets to ensure they remain fit for purpose and identify any that may require alternative approaches to safeguard future local housing requirements.

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

The company's performance demonstrates that it delivers strong landlord safety compliance and the quality of its homes is good. Over the next 12 months the company will be looking at customer journeys to help it understand where it can improve services to customers.

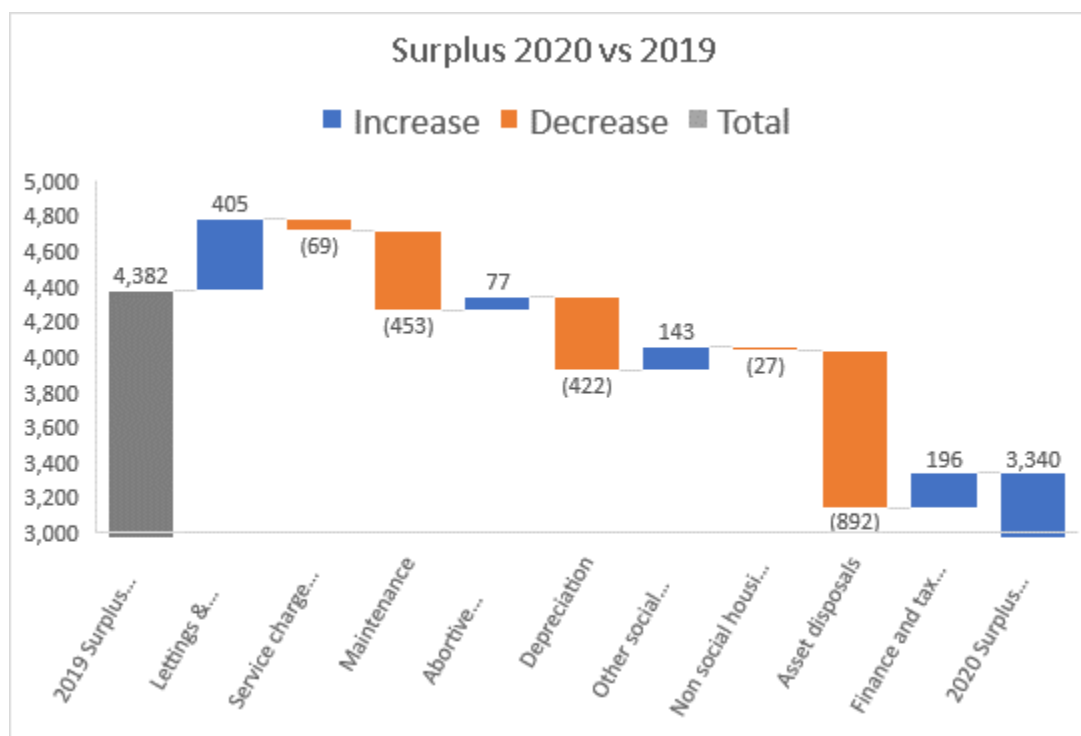
With regard to improving the performance of its repairs service, the company has undertaken a systematic review of its processes and developed an action plan to drive efficiencies and increase productivity.

### Financial Performance

The Group made a surplus for the year ended 31 March 2020 of £3.3m after tax compared to £4.4m in 2019.

In overall terms Two Rivers Housing has delivered a strong operational performance but has been unable to meet the targeted financial surplus of £4.2m. This is largely due to a shortfall of £1.3m in respect of voluntary property disposals not coming through as planned. Excluding this shortfall, overall performance would have been £0.5m favourable to target and broadly in line with 2019, despite the increased maintenance expenditure and higher depreciation charge.

The key movements in delivering the 2020 results relative to 2019 are presented in the chart below.



Overall a surplus of £4.8m has been generated from social housing lettings relative to £5.3m in 2019.

Despite this reduction there are a number of positives to report on:

- Social housing turnover has increased despite the final year of the 1% rent cut, reflecting the considerable growth in new properties coming into management.
- Management costs have increased relative to 2019 but are £0.2m lower than the allocated budget and have increased by just 1.5% at a cost per property level.
- While maintenance costs have increased by £0.45m overall, the majority of this relates to major repair expenditure incurred in maintaining and improving the quality and safety of its homes.



## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

- There has been an increase in surplus generated from other social housing and non-social housing activities.
- Finance costs incurred in funding core activities and growth have reduced by £0.2m.
- Despite a growing proportion of its customers being on Universal Credit, tenant rent arrears remain low relative to its peers resulting in a relatively small increase in bad debt costs and are substantially lower than the £0.6m that had been anticipated

In summary, a strong operational performance where management costs have been contained and investment in existing properties has significantly increased.

### Value for Money

Value for Money (VFM) is achieved when limited financial resources are spent and invested in ways that produce the greatest long-term beneficial effects. Two Rivers Housing exists to provide 'social value' and adopts a model that demonstrates the social value benefits of the work that it does.

In April 2018 the Regulator of Social Housing (RSH) updated its Value For Money Standard. As a result, Two Rivers updated its approach to VFM to ensure compliance with this.

One of the required outcomes from the RSH is that Registered Providers must clearly state their strategic objectives. The corporate plan that was approved in 2018 and updated in 2020 details the company's strategic objectives and these are summarised on page 13.

The new standard also requires registered providers to report performance against a suite of seven VFM metrics, as defined by the Regulator, with the express intention of providing measures with wide applicability, which permit comparability across the sector.

The Value for Money strategy was approved in July 2019. It provides the framework and approach that ensures that, in meeting the corporate objectives, VFM is delivered strategically across the organisation. It is also integral to strategic priority four – 'We aim to manage our resources effectively, control our corporate risk and achieve maximum Value For Money in all that we do'.

The strategy is based around the delivery of five principles:

- Doing the right things (right activities).
- Doing things economically (right delivery).
- Maximising the return from our people (right assets).
- Maximising the return on assets (right assets).
- Achieving outcomes that are right and sustainable.

The key objective of the strategy is to:

- Generate optimal outcomes for the Group, tenants, customers and communities.
- Create efficiencies in the way the company operates.
- Utilise profits from commercial activities to provide greater services for tenants.
- Understand our return on assets and use this to assist in the prioritisation of activities against our strategic objectives making new development decisions based on social and financial return to the Group, our customers and communities.
- Create and embed a VFM culture across the organisation.
- Use growth in the business to provide local employment opportunities.
- Provide social and economic benefits to individuals and communities in our core geographical areas.
- Create environmental efficiencies.

## **Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020**

### **Role of the Board**

The Group Board is fully committed to the delivery of VFM for our customers, seeking an appropriate balance between cost, performance and customer satisfaction. VFM is an important element in delivering the corporate objectives and the Group Board appraises VFM throughout the year.

Value for Money is used as a business improvement driver within Two Rivers Housing and facilitates the alignment of resources to the Board's strategic priorities. In addition, the Group Board has considered and approved a number of bespoke metrics, which are also linked to our strategic objectives.

The year-end position for 2019/20 was appraised by the Group Audit Committee on 9 July 2020 and approved by the Group Board at its meeting on 30 July 2020. The Group Board confirmed that Two Rivers Housing is compliant with the Regulators' VFM standard. The delivery of VFM and performance against the sector and Two Rivers Housing specific metrics are detailed below.

### **2019/20 VFM Action Plan**

To maintain an ongoing focus on VFM the Group Board approved an action plan, which focused upon several areas:

- Use of benchmarking
- Procurement
- Corporate effectiveness
- Optimising funding resources to support the corporate objectives

The specific actions identified to support the delivery of VFM in 2019/20 are largely complete or will continue into 2020/21.

### **Assessment of 2019/20 Performance**

To maintain an ongoing focus on VFM the Board approved an action plan, which focused upon a number of areas. Delivery against these actions is summarised below:

- A continued reduction in responsive repairs spend of £100,000 per annum to continue the journey of bringing the total cost per property in line with the average for the sector.
  - Overall responsive repairs costs have increased however repairs costs per property have reduced relative to last year's expenditure, inflated by CPI. Overall, a reduction of £93,000 has been delivered.
- To benchmark our costs and services in a more expedient and effective way.
  - A new service provider has been identified that enables data to be captured more effectively and results to be provided in a timely manner.
- To review future funding requirements and strategy to ensure optimum level of funding is in place to deliver the corporate and financial plan.
  - The financial plan has been reviewed to incorporate growth of 1,000 new homes over 10 years. The funding strategy has been reviewed and additional funding that will support the delivery of the corporate plan has been identified. A refinancing project is underway and will be delivered in 2020/21.

## Two Rivers Housing

### Report and Financial Statements for the Year Ended 31 March 2020

- To undertake a review of the non-social housing activities and future returns projected to ensure that the resources deployed are commensurate to the risks involved.
  - A review of external services provided by Centigen has been undertaken and a new strategy is being developed. This will seek to drive internal growth once the actions identified in the repairs review have been delivered.
- To undertake comprehensive review of the corporate structure to ensure it remains fit for purpose to deliver the strategic priorities.
  - Legal and tax advice has been sought to identify the most effective corporate legal structure for the Group and a plan is in place for this to be delivered over the next two years.
- To continue to drive productivity improvements across Centigen activities.
  - Performance has been monitored throughout the year to drive efficiencies and reduce costs. A comprehensive review of the repairs service has been undertaken with actions identified to improve productivity and service delivery. The action plan has been approved and is now being progressed.
- To undertake a benchmarking exercise of grounds maintenance services.
  - In order for this to be undertaken effectively, Two Rivers has identified the need to undertake a mapping exercise to accurately identify the areas to be maintained. A GIS mapping system has been purchased to facilitate this and the benchmarking will be undertaken once this is operational.

The specific actions identified to support the delivery of VFM in 2019/20 are therefore largely complete or will continue into 2020/21.

In addition to the activities above, a number of initiatives have been undertaken during the year which have also delivered Value for Money:

- A review of tenant engagement has been undertaken resulting in the creation of the Challenge and Change Group through the amalgamation of two pre-existing tenant groups. This has delivered cost savings as well as enabling tenant engagement to become more effective.
- Subsidiary Board and committee meetings have been scheduled on days to coincide with Group Board meetings to reduce Board member expenses and be more efficient.
- Centigen TRH maintenance teams are undertaking fire safety works, following the failure of a contractor to deliver a cost effective service.
- In-house development of the Group intranet delivered savings in excess of £40-50,000.
- Further development of Sharepoint to create our internal EDRM system also negated the need for the external system.
- Bringing the reception service back into Two Rivers Housing has created capacity for customer services tools to be developed. These have been declared exemplar by an external assessor.
- The fixed term contract for the Debt and Welfare Officer has been made permanent. This will help provide continued support to customers. In 2019/20 £1.5m of additional financial support was identified for our customers through this service.

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

- A data quality project has been delivered internally, not only saving consultancy fees but enabling higher quality management information to be developed.
- A fundamental review of the risk register and framework has been undertaken with the register transferred to a new system to improve the quality of reporting and to provide more effective risk management.
- Investment in software that enables employees to work in an agile manner but is also an integral element of our business continuity plan has proved vital during the Coronavirus outbreak and has been truly tested as a consequence of the pandemic.
- Savings delivered through department led and procurement initiatives total £0.56m.

The company recognises that in some areas it incurs higher levels of expenditure such as, housing management where Two Rivers Housing invests in resources to provide additional support to customers in the form of ASB officers, provision of debt and welfare advice. Cyclical maintenance costs are also higher due to compliance regimes, which operate at a higher level than the statutory requirement. However, this is integral to enabling us to fulfil our mission of creating great homes and supporting communities.

### VFM Sector Metrics

The table below details Two Rivers Housing's performance against the sector metrics and is benchmarked against information extracted from the 2018/19 Global Accounts Annex.

	Two Rivers Housing		Average (Placeshapers)	Whole sector (Median)*
	2020	2019	2019	2019
Reinvestment	15.7%	13.2%	7.3%	6.2%
New supply delivered %	4.5%	1.40%	1.65%	1.50%
- Social housing				
- Non-social housing	-	-	0.10%	-
Gearing	59%	58%	45%	43%
EBITDA MRI / Interest cover %	192%	215%	189%	184%
Headline social housing cost per unit	3,484	3,336	4,005	3,690
Operating margin % - Social Housing	23.1%	26.1%	29.2%	29.2%
Operating margin % - Overall	24.8%	31.1%	26.3%	25.8%
Return on Capital Employed	3.8%	4.5%	4.1%	3.8%

\*Source: 2019 Global Accounts annex: Value for money metrics

Below Sector median

Above Sector median

### Reinvestment

This indicator looks at the investment in properties (existing stock as well as new supply) as a percentage of the value of total properties held.

This figure shows Two Rivers Housing is in a strong position and is investing and adding to the supply of social housing. As can be seen in the table, the company is substantially ahead of both the PlaceShapers and sector levels and has achieved figures in line with the top quartile. This is an improved performance relative to 2018/19 and reflects the substantial investment in the delivery of new homes combined with increased investment in maintenance expenditure.

## **Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020**

### **New supply delivered**

This sets out the number of new social housing and non-social housing units that have been acquired or developed throughout the year as a proportion of total social housing units and non-social housing units owned at the period end.

New supply has increased substantially with 187 units being delivered in the financial year compared to 56 units in the 2018/19. While this is marginally less than the 200 units anticipated over the two-year period, 2019/20 was the biggest development year in the company's history and reflects the strong pipeline of development schemes. The percentage of new social housing being delivered is substantially ahead of the sector average, placing Two Rivers Housing in the top quartile of the 2019 sector metric.

A variety of drivers affect delivery. Developer and planning delays, legal issues and programme delivery spanning multiple financial years, can all impact on delivery and so it is not unexpected that there is a relatively small difference to the target.

### **Gearing**

This metric assesses how much of the assets are made up of debt and is an approximate indication of capacity, in that, more highly geared associations may have less capacity to develop further.

Two Rivers Housing's gearing ratio is higher than the sector averages for both PlaceShapers and the sector. This is indicative of the company having geared up to develop more units.

It is not uncommon for LSVT providers and those that are developing to be more highly geared and, as with all ratios, the position does have to be viewed with caution.

If the cost paid for initial housing stock acquisition was particularly low due to the level of work that was required to be carried out being reflected in the purchase price (as was the case with Two Rivers Housing), then as the association develops and pays full build costs for new stock, the additional loans will start to dwarf the initial costs and the ratio will start to increase.

That said Two Rivers Housing is now well into the upper quartile in this ratio, which is an indication of the commitment of the Group Board to continue developing and the leadership team is comfortable with the level of gearing.

In terms of ability to continue raising finance for future loans, while this ratio is considered, it is likely to be less important than EBITDA MRI, asset cover based on existing use valuation and debt per unit.

### **EBITDA MRI interest cover**

This ratio measures the level of surplus created against interest payments. Strong interest cover is required to service existing debt and support continued investment. A high interest cover ratio is not automatically a good thing, as it may indicate that there is capacity to borrow further to develop, although it does need to be taken into context with the other financial indicators.

The performance in this area is below the sector average and not quite as strong as the average for the PlaceShapers group. It is however, in line with the median position for smaller providers (2,500 to 4,999 units).

Despite being below the sector, interest cover remains healthy, it has decreased by 21% in the year from 215% in 2018/19 to 194% in 2019/20. This is due to a decrease in margins and a reflection of the additional borrowings drawn at the end of 2018, which was a strategic decision taken to fund the substantial development pipeline.

## **Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020**

### **Headline social housing cost per unit**

This is an indication of the total costs of providing social housing (as defined by the Regulator) divided by the total number of units.

Two Rivers Housing's cost per unit compares well with both the PlaceShapers and the sector groups. While there has been an upward movement in costs for the year, this is a consequence of the increased maintenance expenditure invested to maintain the quality and safety of TRH's homes and costs incurred to support internal reviews, which will drive efficiencies in the longer term. For example, the review of repairs processes and the review of the Group corporate structure.

### **Operating margin**

The operating margin demonstrates the profitability of the operating assets before exceptional expenses are considered, split into operating margin for social housing lettings only and operating margin overall.

At 24.8%, TRH's overall operating margin is 1.0% less than the Sector average and 1.6% less than the PlaceShaper average. TRH's social housing operating margin performs less well within the sector in 2018/19 despite higher expenditure incurred in supporting our communities through debt and welfare advisory services, managing anti-social behaviour and maintaining the quality and investing in the safety of our homes. We recognise that our rents are circa 10% lower than our peers operating in the Southwest and West Midlands and that this has a substantial impact on our social housing lettings surplus and operating margins overall however this is key to the provision of 'affordable housing'. It is important to remember that it is likely that the sector averages may have also changed due to continuation of the rent reductions and their inevitable impact.

### **Return on capital employed (ROCE)**

This ratio measures how well a provider manages its capital to generate a financial return.

To some extent this ratio is influenced by when an organisation's assets were acquired in historic cost terms and this can greatly affect the denominator. Two Rivers Housing is in line with the sector median for 2019/20 and marginally below the average for the PlaceShapers group. Relative to 2018/19, the performance has dipped against this metric due to higher maintenance and management costs.

### **Performance against TRH specific metrics**

The Group Board has agreed a number of bespoke metrics which are linked to the Two Rivers Housing strategic objectives and are designed to ensure that TRH delivers VFM in a local context.

The performance against the 2019/20 targets and the targets approved for 2020/21 are set out in the table below:



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## Report and Financial Statements for the Year Ended 31 March 2020

Corporate Objective	Description	Measure of success	Target 2019/20	Actual as at March 2020	Targets 2020/21
Governance and Viability	To maintain a strong financial performance	EBITDA MRI operating margin	29%	31%	Operating margin 26.8%
Income and Growth	Delivery £100k reduction in Responsive Maintenance Expenditure	Reduction in responsive repair cost per property	£100k	£8 per property (£93k)	
Customer Satisfaction	Customer satisfaction	STAR survey results	89%	2019: 87% 2018: 86%	88%
Customer Satisfaction	Completing repairs right first time	Customer feedback	97%	91%	
Customer Satisfaction	Health and safety	Percentage of homes meeting decent homes standard.	100%	100%	100%
		Percentage of homes with a valid gas certificate.	100%	100%	100%
Creating a Strong Organisation	By ensuring we have the right people in the right place with the right skills and capacity, we will seek to optimise our people to deliver corporate objectives for the organisation	To remain an excellent employer as categorised by the Sunday Times Top 100 or other form of accreditation	Excellent Employer Accreditation	IIP Gold	IIP Gold
		Reduce staff turnover	Below 9%	4.5% voluntary 16.3% overall	6% voluntary
Income and Growth	We will develop and acquire new homes to increase our stock holding	Number of new homes developed/acquired	Average 70 per annum 2018-2020	2020: 187 115 pa 3yr average	100 pa 3yr average
Governance and Viability	Group Board possess the required skills. Undertake a Board effectiveness review	Actions completed following governance improvement plan	100%	100%	
Governance and Viability		RSH evaluation Golden rules complied with	G1V2	G1V1	G1V2
Governance and Viability		Percentage of attendance at board meetings	80%	91%	80%
Governance and Viability		Current arrears as a percentage of debit	Less than 1.65%	1.49%	Bad Debt 3.0% of T/O
Governance and Viability		Income collection as a percentage of debit raised	99.95%	99.7%	
Customer Satisfaction	Improve the average rating to SAP Level D	SAP Rating	Average SAP level D	Average SAP level D	100% SAP level D or above

The Board is pleased with the Group's continued strong performance against targets. It is noted that while a number of the customer satisfaction scores are below the set targets, the scores remains within a level of tolerance of upper quartile performance in this area.

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

Value for Money targeted efficiencies are set out in the corporate objectives and have been approved by the Group Board for delivery in 2021. These predominantly focus on delivering efficiencies which will ultimately improve the quality of our services and reduce costs.

The most notable of these include:

- Digital lettings and tenancy sign up processes, which will reduce both the time involved and cost of printing documents.
- Simplification of the Group structure, which will reduce both costs and increase the effectiveness of our governance arrangements.
- Implementation of the action plan identified through the review of the repairs service, which will improve the service provided to our customers, increase productivity and reduce overall costs.
- Securing new funding to support the delivery of the corporate plan, to ensure we have optimum funding in place to minimise both costs and risks.
- Development of a people strategy, to ensure we attract, retain and develop our employees and that they are engaged and motivated to support the delivery of the corporate plan, which will result in more effective deployment of employee related resources.
- Implementation of a new internally developed EDRM system.

### Forecast Financial performance

The Group produces a 30-year financial forecast which is reviewed on an annual basis.

The following tables set out a five-year picture of our forecast targets:

Income & Expenditure Account £'000	Actual 2020	Target 2021	Target 2022	Target 2023	Target 2024	Target 2025
Turnover	26,933	27,673	27,454	26,774	28,083	29,016
Operating Costs	(20,270)	(20,258)	(20,984)	(19,638)	(20,097)	(20,532)
Surplus/(deficit) on disposal of fixed assets	13	72	14	6	5	-
<b>Operating Surplus</b>	<b>6,676</b>	<b>7,487</b>	<b>6,484</b>	<b>7,142</b>	<b>7,986</b>	<b>8,484</b>
<b>Transfer to reserves</b>	<b>3,340</b>	<b>2,456</b>	<b>1,404</b>	<b>1,816</b>	<b>2,480</b>	<b>2,722</b>

	Actual 2020	Target 2021	Target 2022	Target 2023	Target 2024	Target 2025
Reinvestment	15.7%	14.0%	9.7%	9.2%	6.8%	6.9%
New supply delivered % (Social housing)	4.5%	2.9%	2.4%	1.9%	2.2%	1.7%
New supply delivered % (Non-social housing)	-	-	-	-	-	-
Gearing	59%	62%	63%	64%	64%	64%
EBITDA MRI / Interest cover %	192%	209%	142%	158%	165%	157%
Headline social housing cost per unit	3,484	3,007	3,596	3,444	3,547	3,775
Operating margin % - Social Housing	23.1%	26.6%	26.1%	28.7%	29.9%	30.2%
Operating margin % - Overall	24.8%	27.1%	23.6%	26.7%	28.4%	29.2%
Return on Capital Employed	3.8%	14.0%	9.7%	9.2%	6.8%	6.9%



## **Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020**

### **The General Data Protection Regulation (GDPR)**

The General Data Protection Regulation came into effect on the 25 May 2018 and applies to any data companies hold or process within the EU. It also relates to companies outside the EU, for example, US companies who hold any data on UK customers. Its overall goal is to safeguard consumer data and enforce data security rights. At the same time, it forces organisations to think about the data they collect and how they use it.

Two Rivers Housing is committed to the proper and appropriate use of data held regarding customers and colleagues, storing securely and only retaining it while there is valid reason to do so.

### **Accounting policies**

The principal accounting policies are set out in note 1 to the financial statements on pages 36 to 42.

### **Risk management**

Two Rivers Housing has a comprehensive system of risk management. In 2018, with the support of the External Auditor, the Group Board appraised its risk appetite position. This resulted in a clear level of risk appetite being assigned to business activities and a set of risk appetite metrics put in place to monitor the position.

The highest risks in terms of their impact and probability are discussed by the Group Audit Committee on a quarterly basis and are reported through to the Group Board. The report identifies action taken to manage risks as well as new and emerging risks.

The Group Board continues to monitor the risk and exposures that may arise by the UK leaving the EU due to Brexit and reviews on a regular basis the controls that have been implemented to mitigate against this.

In response to the Covid-19 pandemic, the Group Board has approved an assurance framework which permits it to monitor the financial and operational impact of this on the organisation and the controls in place to mitigate against these.

The Corporate Plan has been revised to ensure that key objectives for 2020/21 are deliverable given the anticipated impact of Covid-19 both operationally and financially and the budget for 2020/21 and long-term financial plan have been revised to reflect the impact of the pandemic based on assumptions provided by advisors. These revisions reflect a greater exposure arising from bad debts and void rent losses and maintenance, facilities management and management costs amended based on the anticipated impact given resources available.

Stress testing has been undertaken and specific actions have been identified should the exposures crystallise through 2020/21, which would permit corrective action to be undertaken leaving the organisation in a sustainable position.

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

The top five risks for the organisation are detailed below:

Strategic risk	Controls and actions
<b>1. Loan Covenants</b> Failure to comply with financial loan covenants, leading to potential withdrawal of loan facility.	<ul style="list-style-type: none"> <li>Financial plan is validated at planned intervals</li> <li>Regular monitoring and projection of all covenants</li> <li>Early warning breach indications “golden rules”</li> <li>Regular information provided to lender</li> <li>Mitigation action plans identified</li> </ul>
<b>2. Quality homes</b> Failure to provide a quality of accommodation that meets national and local standards, including Decent Homes Standards, within the agreed resources.	<ul style="list-style-type: none"> <li>Stock condition survey (5 years)</li> <li>Asset management strategy in place and reviewed by Group Board</li> </ul>
<b>3. Repairs expenditure overspends</b> Failure to provide a repairs and maintenance service that meets national and local standards within agreed resources.	<ul style="list-style-type: none"> <li>Regular meetings with the contractor to discuss performance</li> <li>Repairs review completed in 2020/21 with action plan identified for delivery in 2020/21</li> <li>STAR survey to monitor satisfaction with the service</li> <li>Insurance in place, with an appropriate level of excess, to cover the organisation</li> </ul>
<b>4. Failure to deliver the planned development programme, achieving compliance with regulatory requirements and high levels of customer satisfaction within agreed resources.</b>	<ul style="list-style-type: none"> <li>Homes England audit programme conducted in May 2019</li> <li>The Group Board approves an Annual Development Programme</li> <li>Development Strategy in place</li> </ul>
<b>5. Failure to maintain building safety and achieve compliance with landlord safety requirements within agreed resources</b>	<ul style="list-style-type: none"> <li>Landlord compliance monitoring &amp; reporting framework in place</li> <li>Fire Risk Assessment programme in place in line with regulatory requirements</li> <li>Fire Door replacement programme and fire safety remedial works completed in 2019/20</li> <li>Independent deep dive audit across all areas of landlord compliance undertaken in 2018/19</li> <li>Interim plans in place to respond to Covid-19 restrictions whilst ensuring building safety where permitted</li> </ul>

## **Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020**

### **Capital structure and treasury policy**

The Group's financial instruments comprise borrowings, some cash and liquid resources and various items such as trade debtors, creditors, etc. that arise directly from its operations.

The main purpose of these financial instruments is to raise finance for the Group's operations. It is the Group's policy to not trade in financial instruments. The main risk arising from the Group's financial instruments is liquidity risk. The Group Board reviews and agrees policies for managing this risk, details of which are summarised below. The policy was reviewed in July 2018.

Treasury activities are controlled and monitored by the Corporate Director - Resources, with the assistance of external consultants as required, and are carried out in accordance with policies and strategies approved by the Group Board. The Group Board undertakes regular reviews of treasury management activity and covenant compliance.

During 2019/20 a fundamental review of the financial plan was undertaken and a growth plan established to reflect the ambition of the organisation to deliver 1,000 new homes over the next 10 years. Alongside this a review of the funding strategy and funding requirement was also undertaken with a new strategy approved by Board in December 2019. The newly approved strategy seeks to create a debt portfolio which meets the requirements of the current business plan and allows Two Rivers Housing to meet its aspirations for development until at least 2027.

The Group has adopted a policy that balances the need to keep cash levels necessary only to meet immediate business requirements but also protecting the long-term position by taking advantage of long-term rates, when the opportunity arises. The overall aim is to manage the Group's exposure to interest rates and refinancing, to diversify the funding sources and to have a debt profile that supports the needs of the business.

The Group currently finances its operations through a mixture of retained profits, bank funding with both fixed and variable rates in place. The Group has funding in place in the form of a fully drawn bank loan, with phased repayments over the next 17 years. At 31 March 2020, borrowings stood at £110.3m (2019: £113m) and the facility is fully drawn. At the year-end 71% of borrowings were at fixed rates.

The interest rate strategy aims to ensure that movements in interest rates will not significantly impact on the surplus before tax.

The Group does not hold any derivative financial instruments.

### **Cash flow**

Cash inflows and outflows for the year ended 31 March 2020 are set out in the cash flow statement on page 35. Net cash inflows from operating activities are from the management of housing stock. Returns on investment and servicing of finance are due to interest income and interest charges on loans.

The net cash outflow from capital expenditure is the spend on capitalised repairs on existing housing stock, spend on development of new housing stock which has been capitalised, less grant and sales proceeds from properties sold under the 'Right to Buy scheme', plus spend on other fixed assets. The net movement in financing is the difference between loans repaid and new loans.

The Group generated net cash from operating activities of £13.3m (2019: £13.6m). After investing and financing activities cash and bank balances for the year ended 31 March 2020 stood at £16.7m (2019: £31.2m), a reduction of £14.5m during the year.

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

### Current liquidity

The Two Rivers Housing treasury management policy requires that each Group member will maintain a minimum level of liquidity such that there is:

- i. sufficient cash liquidity to cover at least 18 months' aggregate net cash outflow and;
- ii. sufficient operational liquidity to meet the next four weeks' forecast gross cash outflow.

The Group finances its operations through a mixture of retained profits, bank funding and bond finance at fixed rates of interest.

Current funding is in the form of a bank term loan but following the review of the strategy and funding requirement the Group is seeking to diversify the funding portfolio. A refinancing exercise is underway, and the Group is seeking to secure additional funding in the form of a bank loan, private placement and revolving credit facilities.

The Group Board does not consider that normally there would not be any seasonal effects on the borrowing requirements however, the Covid-19 impact has necessitated a further review and amendment of the financial plan to incorporate the anticipated short term impact in 2020/21 and will continue to monitor this regularly throughout the year.

Generally, the main factor influencing the amount and timing of borrowings is the pace of the planned maintenance and improvement programme and development activity. These have a significant impact according to the timing of payments to contractors and receipt of any capital grants.

### Statement of compliance

The Group Board confirms that this strategic review has been prepared in accordance with the principles set out in the Housing SORP: 2018 Update Statement of Recommended Practice for registered social housing providers. Two Rivers Housing is fully compliant with the Governance and Viability standard following the review undertaken during the year.

  
Yvonne Leishman (Aug 12, 2020 10:25 GMT+1)

**Yvonne Leishman**  
Chair

Aug 12, 2020

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

### Statement of the Board responsibilities

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Association and of the income and expenditure of the Group and the association for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the Group, to cease operations or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of accounts that disclose, with reasonable accuracy at any time, the financial position of the Association and enable them to ensure that its financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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

The Report of Board, the strategic report and the financial statements were approved by the Board on 30 July 2020 and signed on its behalf by:

  
Yvonne Leishman (Aug 12, 2020 10:25 GMT+1)

**Yvonne Leishman**  
Chair

Aug 12, 2020

## **Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020**

### **Independent auditor's Report to the members of Two Rivers Housing**

#### **Opinion**

We have audited the financial statements of Two Rivers Housing (the 'parent association') and its subsidiaries (the 'Group') for the year ended 31 March 2020 which comprise the Group and the parent association's Statements of Comprehensive Income, the Group and the parent association's Statements of Financial Position, the Group Statement of Cash Flows and the Group and the parent association's Statements of Changes in Reserves 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 FRS 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 parent association's affairs as at 31 March 2020 and of the Group's and the parent association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, 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 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.

#### **Emphasis of matter – Going concern and the impact of the COVID-19 outbreak on the financial statements**

In forming our opinion on the Association's financial statements, which is not modified, we draw your attention to the Boards' view on the impact of the COVID-19 as disclosed on page 24, and the consideration in the going concern basis of preparation on page 36.

During the latter part of the financial year, there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The impact of COVID-19 is still evolving and, based on the information available at this point in time, the Board have assessed the impact of COVID-19 on the Association and reflected the Boards' conclusion that adopting the going concern basis for preparation of the financial statements is appropriate.

## **Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020**

### **Conclusions Relating to Going Concern**

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

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent 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 is responsible for the other information. The 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 and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on Other Matters Prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Board Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Board Report have been prepared in accordance with applicable legal requirements

### **Matters on Which We Are Required to Report by Exception**

In light of the knowledge and understanding of the Group and the parent association and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Board Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent association, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent association financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specific by law are not made; or
- we have not received all the information and explanations we require for our audit.



## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

### Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities set out on page 28, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Group's and the parent 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 intends to liquidate the Group or the parent 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of the Audit Report

This report is made solely to the association's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. 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 association's members as a body for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in blue ink, appearing to read 'DRA Bott'.

DRA Bott  
(Senior Statutory Auditor)  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
45 Church Street,  
Birmingham  
B3 2RT

Date: Aug 17, 2020



# Two Rivers Housing

## Report and Financial Statements for the Year Ended 31 March 2020

### Statement of Comprehensive Income

	Note	Group		Association	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Turnover</b>	3	<b>26,933</b>	25,460	<b>26,968</b>	24,757
Cost of sales	3	<b>(4,150)</b>	(2,968)	<b>(4,150)</b>	(2,756)
Operating expenditure	3	<b>(16,120)</b>	(15,483)	<b>(16,110)</b>	(15,006)
Surplus on disposal of property, plant and equipment	4	<b>13</b>	905	<b>13</b>	905
<b>Operating surplus</b>	<b>3</b>	<b>6,676</b>	<b>7,914</b>	<b>6,721</b>	<b>7,900</b>
Interest receivable	5	<b>181</b>	208	<b>231</b>	270
Interest and financing costs	6	<b>(3,517)</b>	(3,740)	<b>(3,547)</b>	(3,765)
<b>Surplus before tax</b>	<b>7</b>	<b>3,340</b>	<b>4,382</b>	<b>3,405</b>	<b>4,405</b>
Taxation	10	-	-	-	-
<b>Surplus for the year</b>		<b>3,340</b>	<b>4,382</b>	<b>3,405</b>	<b>4,405</b>
Gain/(loss) in respect of investment properties		-	-	-	-
Actuarial gain /(loss) in respect of pension scheme	19	<b>1,784</b>	(981)	<b>1,784</b>	(981)
Initial recognition of multi-employer defined benefit scheme	19	-	(300)	-	(300)
<b>Total comprehensive income for the year</b>		<b>5,124</b>	<b>3,101</b>	<b>5,189</b>	<b>3,124</b>

# Two Rivers Housing

## Report and Financial Statements for the Year Ended 31 March 2020

### Statement of Financial Position

		Group 2020 £'000	2019 £'000	Association 2020 £'000	2019 £'000
	Note				
<b>Fixed assets</b>					
Housing properties	11	159,533	141,835	159,725	141,986
Other tangible fixed assets	12	3,979	4,103	3,962	4,078
Intangible assets	13	66	74	66	72
Investment properties	14a	290	290	290	290
		<b>163,868</b>	<b>146,302</b>	<b>164,043</b>	<b>146,426</b>
<b>Current assets</b>					
Properties held for sale	15	3,072	5,104	3,072	5,104
Inventories	15	1,191	1,213	5	4
Debtors	16	1,153	682	3,125	2,920
Cash and cash equivalents		16,675	31,205	16,189	30,828
		<b>22,091</b>	<b>38,204</b>	<b>22,391</b>	<b>38,856</b>
<b>Creditors: Amounts falling due within one year</b>	17	<b>(8,979)</b>	<b>(7,743)</b>	<b>(9,015)</b>	<b>(8,145)</b>
<b>Net current assets</b>		<b>13,112</b>	<b>30,461</b>	<b>13,376</b>	<b>30,711</b>
<b>Total assets less current liabilities</b>		<b>176,980</b>	<b>176,763</b>	<b>177,419</b>	<b>177,137</b>
<b>Creditors: Amounts falling due after more than one year</b>	18	<b>(126,489)</b>	<b>(129,933)</b>	<b>(126,489)</b>	<b>(129,933)</b>
<b>Defined benefit pension liability</b>	19	<b>(680)</b>	<b>(2,143)</b>	<b>(680)</b>	<b>(2,143)</b>
<b>Net assets</b>		<b>49,811</b>	<b>44,687</b>	<b>50,250</b>	<b>45,061</b>
<b>Capital and reserves</b>					
Revenue reserve		49,811	44,687	50,250	45,061
<b>Total reserves</b>		<b>49,811</b>	<b>44,687</b>	<b>50,250</b>	<b>45,061</b>

The notes on pages 36 to 70 form part of these financial statements. The financial statements were approved by the Board on 30 July 2020 and signed on its behalf by:

  
Yvonne Leishman (Aug 12, 2020 10:25 GMT+1)

Miss Yvonne Leishman  
Chairman

  
Rita Jones (Aug 12, 2020 10:13 GMT+1)

Ms Rita Jones  
Board Member

  
Garry King (Aug 12, 2020 09:54 GMT+1)

Mr Garry King  
Chief Executive and Secretary

Registered number: 04263691

# Two Rivers Housing

## Report and Financial Statements for the Year Ended 31 March 2020

### Statement of Changes to Reserves

	Group Revenue reserve £'000	Association Revenue reserve £'000
At 31 March 2018	41,586	41,937
Surplus for the year	4,382	4,405
Actuarial loss in respect of pension schemes	(1,281)	(1,281)
At 31 March 2019	44,687	45,061
Surplus for the year	3,340	3,405
Actuarial gain in respect of pension schemes	1,784	1,784
At 31 March 2020	49,811	50,250

# Two Rivers Housing

## Report and Financial Statements for the Year Ended 31 March 2020

### Consolidated Statement of Cash Flows

	Note	2020 £'000	2019 £'000
<b>Net cash generated from operating activities</b>	<b>21</b>	<b>13,255</b>	<b>13,596</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(23,161)	(16,827)
Purchase of intangible assets		(24)	(54)
Proceeds from sale of property, plant and equipment		1,558	2,012
Grants received		764	375
Interest received		181	208
<b>Net cash flows from investing activities</b>		<b>(20,682)</b>	<b>(14,286)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(4,358)	(3,723)
Repayment of borrowings		(2,745)	-
<b>Net cash flows from financing activities</b>		<b>(7,103)</b>	<b>(3,723)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(14,530)</b>	<b>(4,413)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>21</b>	<b>31,205</b>	<b>35,618</b>
<b>Cash and cash equivalents at end of year</b>	<b>21</b>	<b>16,675</b>	<b>31,205</b>

# **Two Rivers Housing**

## **Report and Financial Statements for the Year Ended 31 March 2020**

### **Notes to the Financial Statements**

#### **1. Accounting Policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year, unless otherwise noted.

##### **General information and basis of accounting**

Two Rivers Housing Group is a company limited by guarantee and a registered provider of social housing in England. The address of its registered office and principal place of business are as disclosed on page 1 of these financial statements.

The financial statements have been prepared under the historical cost convention, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2018 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2019. Two Rivers Housing Group is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

##### **Going Concern**

The board reviewed Two Rivers' plans in March 2020 and were content that these plans were affordable and that the accounts should be prepared on a going concern basis. However, the impact of the recent COVID-19 outbreak and its financial effect has meant that the executive team and board have been reviewing financial plans for the next 3 years to ensure Two Rivers can continue its business-critical activities and remain a going concern.

The Government's decisions on social distancing is expected to have a significant effect on Two Rivers' financial situation and an estimated £0.56m reduction in operating surplus for 2020/21. This is across all areas of income, with much of this from income collection and sales as we see difficulties for residents to pay their rent and difficulties for homebuyers to complete mortgage transactions, as well as an increases in operating costs offset by some delays in planned maintenance.

The board have made some difficult decisions to delay some planned maintenance work for 2020/21. As a key provider of affordable housing in the Forest of Dean we will ensure that we keep our residents safe by maintaining their homes and completing necessary health and safety works, whilst also working with our residents in paying their rent. We will continue to operate as normal, as much as we can. However, with the social distancing measures, we have decided to postpone some major component replacements such as kitchens and bathrooms and stop non-emergency repairs for the foreseeable future.

We have concentrated on business critical activities only. This includes the furlough of staff who are not involved in business-critical work or are unable to carry out their duties due to social distancing measures. The length of the COVID-19 outbreak and the measures taken by the Government to contain this are not known and outside of our control but we have put processes in place to manage cashflow on a daily basis and review financial stability as matters progress. Given the strength of the balance sheet and availability and cash holding in excess of £16m the board believe that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on Two River's ability to continue as a going concern. The board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis.

The Association's business activities, its current financial position and future development are set out with the Operating and Financial Review. The Association has adequate resources to finance committed development schemes, along with day to day operations. The Association also has a long-term financial plan which shows that it can service its debt facility.

# Two Rivers Housing

## Report and Financial Statements for the Year Ended 31 March 2020

### 1. Accounting Policies (continued)

#### **Basis of consolidation**

The Group financial statements consolidate the financial statements of the Association and its subsidiary undertakings drawn up to 31 March each year.

#### **Property, plant and equipment - housing properties**

Housing properties are stated at cost less depreciation less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and borrowing costs directly attributable to the construction of new housing properties during the development. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight-line basis, over their useful economic lives. Freehold land is not depreciated.

#### Major components

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives at the following annual rates:

Traditional Housing Structure	100 years
Non-traditional Housing Structure	30 years
Roofs	60 years
Doors and windows	20 years
Kitchens	20 years
Bathrooms	20 years
Heating systems	15 years
Electrics	30 years

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.

#### Improvements

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any works to housing properties which do not replace a component or result in an incremental future benefit are charged as expenditure in surplus or deficit in the Statement of Comprehensive Income.

#### Leaseholders

Where the rights and obligations for improving a housing property reside with the leaseholder or tenant, any works to improve such properties incurred by the Association is recharged to the leaseholder and recognised in surplus or deficit in the Statement of Comprehensive Income along with the corresponding income from the leaseholder or tenant.

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

### 1. Accounting Policies (continued)

#### Non-housing property, plant and equipment

Non-housing property, plant and equipment is stated at historic cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all non-housing property, plant and equipment, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold offices	60 years
Furniture, fixtures & fittings	5 years
Vehicles	5 years
Computer equipment	5 years

#### Intangible assets

Intangible assets are stated at historic cost or valuation, less accumulated amortisation and any provision for impairment. Amortisation is provided on all Intangible assets at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Computer software	5 years
-------------------	---------

#### Impairment of social housing properties

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in surplus or deficit in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in surplus or deficit in the Statement of Comprehensive Income.

#### Social Housing Grant and other Government Grants

Where grants are received from government agencies such as Homes England, local authorities, devolved government agencies, health authorities and the European Commission which meet the definition of government grants they are recognised when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received.

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised.

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

### 1. Accounting Policies (continued)

Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

Grants received from non-government sources are recognised as revenue using the performance model

#### **Recycling of Grants**

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

For shared ownership staircasing sales, when full staircasing has not taken place, the recycling of the grant may be deferred if the net sales proceeds are insufficient to meet the grant obligation relating to the disposal and is not be recognised as a provision. On subsequent staircasing sales, the requirement to recycle the grant becomes an obligation if sufficient sales proceeds are generated to meet the obligation and a provision is recognised at this point.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is derecognised as a liability and recognised as revenue in surplus or deficit in the Statement of Comprehensive Income.

#### **Restricted Reserves**

Where reserves are subject to an external restriction they are separately recognised within reserves as a restricted reserve. Revenue and expenditure are included in surplus or deficit in the Statement of Comprehensive Income and a transfer is made from the general reserve to the restricted reserve.

#### **Leased Assets**

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

##### Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

##### Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to surplus or deficit in the Statement of Comprehensive Income on a straight-line basis over the period of the lease.



## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

### 1. Accounting Policies (continued)

#### Properties for Outright Sale

Properties developed for outright sale and land held for sale are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes materials, direct labour and an attributable proportion of overheads based on normal levels of activity.

#### Interest Payable

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period.

#### Taxation

There will be no future liability to Corporation Tax for Two Rivers Housing Association and Two Rivers Initiatives Limited due to the charitable registration of these Companies.

Two Rivers Developments Limited, Centigen Facilities Management Limited and Centigen TRH Facilities Management Limited are liable to Corporation Tax on their taxable surpluses.

#### Pensions

##### Multi-employer defined benefit pension schemes

The Group participates in two industry wide multi-employer defined benefit pension schemes where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme. These schemes are the Social Housing Pension Scheme (SHPS) and the Local Government Pension Scheme (LGPS). For these schemes the amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs.

Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each Statement of Financial Position date.

##### Defined contribution scheme

The Group participates in a defined contribution scheme where the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

## **Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020**

### **1. Accounting Policies (continued)**

#### **Turnover**

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids) and disposal proceeds of current assets such as properties developed for outright sale or shared ownership first tranche sales at completion together with revenue grants from local authorities and the Homes and Communities Agency and charitable fees and donations. Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

#### **Supported Housing and Other Managing Agents**

Where the Group has ownership of a supported housing or other scheme but also has an agreement with a third party to manage the scheme (including Supporting People funded schemes or services), where there has been a substantial transfer of the risks and benefits attached to the scheme to the third party, any scheme revenue and expenditure is excluded from these financial statements.

#### **Shared Ownership Property Sales**

Shared ownership properties, including those under construction, are split between non-current assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche disposal which is shown on initial recognition as a current asset, with the remainder classified as a non-current asset within property plant and equipment. Where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or non-current assets.

Proceeds from first tranche disposals are accounted for as turnover in the Statement of Comprehensive Income of the period in which the disposals occur and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.

#### **Investments**

Investments that are publicly traded or whose fair value can be measured reliably are measured at fair value with changes in fair value recognised in surplus or deficit in the Statement of Comprehensive Income. Other investments are measured at amortised cost less impairment.

#### **Service Charge Sinking Funds and Service Costs**

Unutilised contributions to service charge sinking funds and over-recovery of service costs which are repayable to tenants or leaseholders or are intended to be reflected in reductions to future service charge contributions are recognised as a liability in the Statement of Financial Position. The amount included in liabilities in respect of service charge sinking funds includes interest credited to the fund. Where there has been an under-recovery of leaseholders' or tenants' variable service charges and recovery of the outstanding balance is virtually certain, the balance is recognised in the Statement of Financial Position as a trade receivable. Debit and credit balances on individual schemes are not aggregated as there is no right of set-off.

#### **Financial Instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets carried at amortised cost Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs.

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

### 1. Accounting Policies (continued)

After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly. A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financial liabilities carried at amortised cost.

These financial liabilities include trade and other payables and interest-bearing loans and borrowings.

Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

#### Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

### 2. Significant Management Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

#### Significant Management Judgements and Estimates

The following are management judgements in applying the accounting policies of the Group that have the most significant effect on the amounts recognised in the financial statements.

#### Impairment of Social Housing Properties

The Group have to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP. The value of impairment charge in 2019/20 is £zero (2019: £zero).

## **Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020**

### **2. Significant Management Judgements and Key Sources of Estimation Uncertainty (continued)**

#### **Useful Lives of Depreciable Assets**

Tangible fixed assets are depreciated over their useful lives. Management reviews the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes in homes standards which may require more frequent replacement of key components. The key judgements and estimates applied in respect of housing property are contained within these notes and include the useful economic life of properties and that properties have no residual value at the end of useful life. Accumulated depreciation of housing properties as at 31 March 2020 was £43,038k. The carrying amount of the housing properties was £159,533k at the year ended 31 March 2020.

#### **Social Housing Grant and Other Capital Grants**

All government grants initially appear as creditors in the Statement of Financial Position at the fair value of the sum receivable. Grants are amortised on a straight-line basis over the life of the asset whose purchase they support, unless they are received in respect of the provision of properties under the Homebuy or LCHO schemes, in which case grants are only taken to the Statement of Comprehensive Income at the point the loan is redeemed. Grant received in respect of revenue costs, or from a non-government source, is credited to the Statement of Comprehensive Income in the period in which those costs are incurred.

#### **Fair Value Measurement**

Management uses valuation techniques to determine the fair value of assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management base the assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual process that would be achievable in an arm's length transaction at the reporting date.

#### **Provisions**

Provision is made for dilapidations, bad debts arising from rental arrears and redundancy costs. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

#### **Defined Benefit Pension Schemes**

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

### 3. Particulars of Turnover, Cost of Sales Operating Costs and Operating Surplus - Group

2020	Note	Turnover	Cost of sales	Operating expenditure	Surplus on disposal of property, plant and equipment	Operating surplus
		£'000	£'000	£'000	£'000	£'000
<b>Social housing lettings</b>	<b>3a</b>	20,915	-	(16,093)	-	4,822
<b>Other social housing activities</b>						-
1 <sup>st</sup> tranche property sales		5,602	(4,150)	-	-	1,452
Surplus on disposal of property, plant and equipment		-	-	-	13	13
Other activities		64	-	-	-	64
Garages		169	-	(17)	-	152
		5,835	(4,150)	(17)	13	1,681
<b>Activities other than social housing activities</b>						
Market rent		16	-	-	-	16
Other		167	-	(10)	-	157
		183	-	(10)	-	173
<b>Total</b>		<b>26,933</b>	<b>(4,150)</b>	<b>(16,120)</b>	<b>13</b>	<b>6,676</b>

2019	Note	Turnover	Cost of sales	Operating expenditure	Surplus on disposal of property, plant and equipment	Operating surplus
		£'000	£'000	£'000	£'000	£'000
<b>Social housing lettings</b>	<b>3a</b>	20,213	-	(14,929)	-	5,284
<b>Other social housing activities</b>						
1 <sup>st</sup> tranche property sales		4,084	(2,756)	-	-	1,328
Surplus on disposal of property, plant and equipment					905	905
Other activities		122	-	-	-	122
Garages		185	-	(77)	-	108
		4,391	(2,756)	(77)	905	2,463
<b>Activities other than social housing activities</b>						
Market rent		23	-	-	-	23
Other		833	(212)	(477)	-	144
		856	(212)	(477)	-	167
<b>Total</b>		<b>25,460</b>	<b>(2,968)</b>	<b>(15,483)</b>	<b>905</b>	<b>7,914</b>

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

### 3. Particulars of Turnover, Cost of Sales Operating Costs and Operating Surplus - Association

2020	Note	Turnover	Cost of sales	Operating expenditure	Surplus on disposal of property, plant and equipment	Operating surplus
		£'000	£'000	£'000	£'000	£'000
<b>Social housing lettings</b>	<b>3a</b>	20,915	-	(16,093)	-	4,822
<b>Other social housing activities</b>						
1 <sup>st</sup> tranche property sales		5,602	(4,150)	-	-	1,452
Surplus on disposal of property, plant and equipment		-	-	-	13	13
Other activities		233	-	-	-	233
Garages		169	-	(17)	-	152
		6,004	(4,150)	(17)	13	1,850
<b>Activities other than social housing activities</b>						
Market rent		16	-	-	-	16
Other		33	-	-	-	33
		49	-	-	-	49
<b>Total</b>		<b>26,968</b>	<b>(4,150)</b>	<b>(16,110)</b>	<b>13</b>	<b>6,721</b>

2019		Turnover	Cost of sales	Operating expenditure	Surplus on disposal of property, plant and equipment	Operating surplus
		£'000	£'000	£'000	£'000	£'000
<b>Social housing lettings</b>	<b>3a</b>	20,213	-	(14,929)	-	5,284
<b>Other social housing activities</b>						
1 <sup>st</sup> tranche property sales		4,084	(2,756)	-	-	1,328
Surplus on disposal of property, plant and equipment		-	-	-	905	905
Other activities		252	-	-	-	252
Garages		185	-	(77)	-	108
		4,521	(2,756)	(77)	905	2,593
<b>Activities other than social housing activities</b>						
Market rent		23	-	-	-	23
		23	-	-	-	23
<b>Total</b>		<b>24,757</b>	<b>(2,756)</b>	<b>(15,006)</b>	<b>905</b>	<b>7,900</b>

Included within other activities for the association is £169k gift aid received from subsidiary companies (2019: £163K).

# Two Rivers Housing

## Report and Financial Statements for the Year Ended 31 March 2020

### 3a. Particulars of Income and Expenditure from Social Housing Lettings

	General needs housing £'000	Supported housing and housing for older people £'000	2020 Total £'000	2019 Total £'000
<b>Income</b>				
Rents receivable	17,178	2,665	19,843	19,091
Service charge income	229	635	864	893
Amortised government grant	208	-	208	209
Other grants	-	-	-	20
Turnover from social housing lettings	17,615	3,300	20,915	20,213
<b>Expenditure</b>				
Management	4,102	715	4,817	4,549
Service charge costs	439	442	881	812
Routine maintenance	2,274	396	2,670	2,592
Planned maintenance	1,225	213	1,438	1,397
Major repairs expenditure	1,514	264	1,778	1,444
Bad debts	106	-	106	77
Abortive development	44	-	44	121
Depreciation of housing properties	4,359	-	4,359	3,937
Operating costs	14,063	2,030	16,093	14,929
Operating surplus social housing lettings	3,552	1,270	4,822	5,284
<i>Void losses</i>	142	29	171	123



# Two Rivers Housing

## Report and Financial Statements for the Year Ended 31 March 2020

### 4. Surplus on Disposal of Property, Plant and Equipment – Group and Association

	2020	2019
	£'000	£'000
Sale of subsequent tranche shared ownership properties and other properties	1,552	2,220
Costs of sale	(39)	(53)
Disposals at cost	(1,500)	(1,263)
Surplus on disposal of property, plant and equipment	13	905

### 5. Other Finance Income

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Bank interest receivable	181	208	181	208
Interest due from group companies	-	-	50	62
	181	208	231	270

### 6. Interest and Financing Costs

		Group		Association	
		2020	2019	2020	2019
	Note	£'000	£'000	£'000	£'000
Bank loans and overdrafts		4,358	4,192	4,358	4,189
Loan amortisation		31	21	31	21
Unwinding of discounts on provisions		(154)	(147)	(154)	(147)
Net interest on defined benefit liability	19	55	28	55	28
		4,290	4,094	4,290	4,091
Interest capitalised		(773)	(354)	(744)	(326)
		3,517	3,740	3,546	3,765

Borrowing costs have been capitalised based on a capitalisation rate of 3.73% (2019: 4.10%) which is the weighted average of rates applicable to the Group's general borrowings outstanding during the year.

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

### 7. Surplus on Ordinary Activities Before Taxation

Surplus on ordinary activities before taxation is stated after charging/(crediting):

	<b>Group</b>		<b>Association</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Depreciation of housing stock	4,359	3,937	4,359	3,937
Depreciation of property, plant and equipment	127	189	118	159
Amortisation of intangible assets	32	14	30	11
Amortised government grants	(208)	(209)	(208)	(209)
Surplus on disposal of fixed assets	(13)	(905)	(13)	(905)
Auditors remuneration (excluding VAT)	28	27	17	16
Fees payable to the company's auditors for other services	28	5	29	5
- Other services	-	3	-	3
- Tax compliance services	10	2	6	1
Operating lease rentals	185	169	-	4

### 8. Employee Costs

	<b>Group</b>		<b>Association</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	4,592	4,262	3,149	2,979
Social security costs	438	405	303	294
Other pension costs	363	313	311	283
	5,393	4,980	3,763	3,556

The full-time equivalent number of staff who received emoluments, excluding pension contribution, in excess of £60,000 were shown below:

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
<b>Salary Band (£)</b>		
60,000 – 69,999	2	1
70,000 – 79,999	-	1
80,000 – 89,999	-	-
90,000 – 99,999	1	-
100,000 – 109,999	1	1
120,000 – 129,999	-	-
130,000 – 139,999	1	1

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

### 8. Employee Costs (continued)

The average full-time equivalent number of employees was:

	<b>Group</b>		<b>Association</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	Number	Number	Number	Number
<b>Average monthly number of employees (including executive directors) expressed as full-time equivalents:</b>				
Administration	77	65	70	58
Property management	22	25	14	13
Housing for older people and housing management	14	21	14	21
Repairs team	33	27	-	-
Office cleaners	8	8	-	-
	154	146	98	92

The basis of the calculation of the full-time equivalents was calculated on 40 hours per week for the Repairs team and 37 hours for all other staff.

### 9. Directors' Remuneration and Transactions

	<b>2020</b>	<b>2019</b>
	£'000	£'000
<b>Directors who are executive staff members</b>		
Wages and salaries	362	332
Social security costs	44	42
Other pension costs	61	54
	467	428
<i>Including benefits</i>		
	<b>2020</b>	<b>2019</b>
	£'000	£'000
<b>Remuneration of the highest paid director, excluding pension contribution</b>		
Emoluments	137	135

The Chief Executive is an ordinary member of the pension scheme. The pension is a final salary scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply.

# Two Rivers Housing

## Report and Financial Statements for the Year Ended 31 March 2020

### 9. Directors' Remuneration and Transactions (continued)

#### Non-Executive Board Members

The following non-executive board members received the following remuneration during the financial year.

	2020 £'000	2019 £'000
Mr David Powell	-	2
Mr John Bloxsom	5	4
Mr Alan Blundell	-	2
Mr Jonathan Richards	-	3
Ms Susan Holmes	4	3
Mr Christopher Hillidge	-	2
Mr Neil Sutherland	5	3
Mrs Rita Jones	4	3
Mr Tim Jackson	5	3
Mr Ted Pearce	4	0
Mr Tim Sharpe	3	0
Mr Kevin Shaw	2	0
Miss Yvonne Leishman	9	3
	41	28

### 10. Taxation

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Corporation Tax:</b>				
Current tax on surplus for the year	27	28	-	-
Adjustments in respect of previous years	(27)	(28)	-	-
	-	-	-	-
<b>Deferred Tax</b>	-	-	-	-
<b>Total tax</b>	-	-	-	-
<b>Reconciliation of the total tax charge</b>				
Surplus on ordinary activities before tax	3,340	4,382	3,405	4,405
Tax charged at standard rate of 19% (2019: 19%)	635	833	647	837
Effect of:				
Utilisation of tax losses	(27)	(28)	-	-
Surplus arising with charitable status	(608)	(805)	(647)	(837)
Deferred tax not recognised	-	-	-	-
	-	-	-	-

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

### 11. Tangible Fixed Assets – Housing Properties

Group	Completed properties	Properties under construction	Completed Shared ownership	Shared ownership under construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 April 2019	162,286	8,142	9,723	820	180,971
Additions	-	13,947	-	8,302	22,249
Components capitalised	2,888	-	-	-	2,888
Disposals	(1,009)	-	(549)	-	(1,558)
Schemes completed in the year	15,654	(15,654)	5,461	(5,461)	-
Transfer to Properties held for sale	-	-	-	(1,979)	(1,979)
At 31 March 2020	179,819	6,435	14,635	1,682	202,571
<b>Depreciation</b>					
At 1 April 2019	(38,168)	-	(968)	-	(39,136)
Charge for the year	(4,137)	-	(222)	-	(4,359)
Eliminated on disposals	405	-	52	-	457
At 31 March 2020	(41,901)	-	(1,137)	-	(43,038)
<b>Net book value</b>					
At 31 March 2020	137,918	6,435	13,498	1,682	159,533
At 31 March 2019	124,118	8,142	8,755	820	141,835

All property is freehold. Additions in the year include £744k of capitalised interest and £291k of capitalised development overheads.

Freehold land and buildings with a carrying amount of £57m (2019: £57m) have been pledged to secure borrowings of the Association. The Association is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

# Two Rivers Housing

## Report and Financial Statements for the Year Ended 31 March 2020

### 11. Tangible Fixed Assets – Housing Properties (continued)

Association	Completed properties	Properties under construction	Completed Shared ownership	Shared ownership under construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 April 2019	162,286	8,293	9,723	820	181,122
Additions	-	13,988	-	8,302	22,290
Components capitalised	2,888	-	-	-	2,888
Disposals	(1,009)	-	(549)	-	(1,558)
Schemes completed in the year	15,654	(15,654)	5,461	(5,461)	-
Transfer to Properties held for sale	-	-	-	(1,979)	(1,979)
At 31 March 2020	179,819	6,627	14,635	1,682	202,763
<b>Depreciation</b>					
At 1 April 2019	(38,168)	-	(968)	-	(39,136)
Charge for the year	(4,138)	-	(221)	-	(4,359)
Eliminated on disposals	405	-	52	-	457
At 31 March 2020	(41,901)	-	(1,137)	-	(43,038)
<b>Net book value</b>					
At 31 March 2020	137,918	6,627	13,498	1,682	159,725
At 31 March 2019	124,118	8,293	8,755	820	141,986

All property is freehold. Additions in the year include £744k of capitalised interest (2019: £326k) and £285k of capitalised development overheads (2019: £325k).

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

### 12. Property, Plant and Equipment - other

Group	Office premises £'000	Computer equipment £'000	Fixtures and fittings £'000	Plant & machinery £'000	Total £'000
<b>Cost</b>					
At 1 April 2019	4,890	366	108	86	5,450
Transfer between categories	(142)	-	-	142	-
Restated at 1 April 2019	4,748	366	108	228	5,450
Additions	-	2	-	1	3
Disposals	-	-	-	-	-
At 31 March 2020	4,748	368	108	229	5,453
<b>Depreciation</b>					
At 1 April 2019	(839)	(317)	(107)	(84)	(1,347)
Transfer between categories	104	14	(1)	(117)	-
Restated at 1 April 2019	(735)	(303)	(108)	(201)	(1,347)
Charge for the year	(97)	(19)	-	(11)	(127)
Disposals	-	-	-	-	-
At 31 March 2020	(832)	(322)	(108)	(212)	(1,474)
<b>Net book value</b>					
At 31 March 2020	3,916	46	-	17	3,979
At 31 March 2019	4,051	49	1	2	4,103

Association	Office premises £'000	Computer equipment £'000	Fixtures and fittings £'000	Plant & machinery £'000	Total £'000
<b>Cost</b>					
At 1 April 2019	4,748	363	100	78	5,289
Transfer between categories	-	-	-	-	-
Additions	-	2	-	-	2
Disposals	-	-	-	-	-
At 31 March 2020	4,748	365	100	78	5,291
<b>Depreciation</b>					
At 1 April 2019	(717)	(316)	(100)	(78)	(1,211)
Transfer between categories	-	-	-	-	-
Charge for the year	(115)	(3)	-	-	(118)
Disposals	-	-	-	-	-
At 31 March 2020	(832)	(319)	(100)	(78)	(1,329)
<b>Net book value</b>					
At 31 March 2020	3,916	46	-	-	3,962
At 31 March 2019	4,031	47	-	-	4,078



# Two Rivers Housing

## Report and Financial Statements for the Year Ended 31 March 2020

### 13. Intangible Fixed Assets

Group		
	Computer software £'000	Total £'000
<b>Cost</b>		
At 1 April 2019	480	480
Additions	24	24
Disposals	-	-
<b>As at 31 March 2020</b>	<b>504</b>	<b>504</b>
<b>Amortisation</b>		
At 1 April 2019	(406)	(406)
Charge for the year	(32)	(32)
Eliminated on disposals	-	-
<b>As at 31 March 2020</b>	<b>(438)</b>	<b>(438)</b>
<b>Net book value</b>		
As at 31 March 2020	66	<b>66</b>
As at 31 March 2019	74	74
<b>Association</b>		
	Computer software £'000	Total £'000
<b>Cost</b>		
At 1 April 2019	466	466
Additions	24	<b>24</b>
Disposals	-	-
<b>As at 31 March 2020</b>	<b>490</b>	<b>490</b>
<b>Amortisation</b>		
At 1 April 2019	(394)	(394)
Charge for the year	(30)	(30)
Eliminated on disposals	-	-
<b>As at 31 March 2020</b>	<b>(424)</b>	<b>(424)</b>
<b>Net book value</b>		
As at 31 March 2020	66	<b>66</b>
As at 31 March 2019	72	72

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

### 14. Investments

#### 14a. Investment Properties

	Group 2020 £'000	2019 £'000	Association 2020 £'000	2019 £'000
Investment properties	290	290	290	290

Market rented properties are treated as investment properties. Changes in the value of market rented properties are taken to the statement of comprehensive income. No valuation adjustments were made during the year (2019: £nil).

#### 14b. Principal Group Investments

The parent Association and the Group have investments in the following subsidiary undertakings, associates and other investments which principally affected the surpluses or net assets of the Group.

Subsidiary undertaking	Legal form	Principal activity	Holding (%)
Two Rivers Developments	Limited company	Developing properties on behalf of Two Rivers Housing	100
Two Rivers Initiatives	Limited company	A charitable organisation whose primary business is the support and funding of community activities and initiatives within the Forest of Dean	100
Centigen TRH Facilities Management Limited	Limited company	Facilities management and grounds maintenance for Two Rivers Housing	100
Centigen Facilities Management Limited	Limited company	Facilities Management and grounds maintenance for external clients	100

### 15. Inventories & Properties Held for Sale

	Group 2020 £'000	2019 £'000	Association 2020 £'000	2019 £'000
<b>Inventories</b>				
Maintenance stock	5	4	5	4
Open market sale properties - Under construction	1,186	1,209	-	-
	1,191	1,213	5	4
<b>Properties held for sale</b>				
Shared ownership 1st tranche sale properties - Completed	1,491	652	1,491	652
Shared ownership 1st tranche sale properties – Under construction	1,581	4,452	1,581	4,452
	3,072	5,104	3,072	5,104

# Two Rivers Housing

## Report and Financial Statements for the Year Ended 31 March 2020

### 16. Debtors

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Rent arrears	942	892	942	892
Provision for bad debts	(646)	(595)	(646)	(595)
Trade debtors	17	24	-	-
Amounts owed by Group undertakings	-	-	2,028	2,305
Other debtors	432	55	428	49
Prepayments and accrued income	408	306	373	269
	1,153	682	3,125	2,920

### 17. Creditors – Amounts Falling Due Within One Year

		Group		Association	
	Note	2020	2019	2020	2019
		£'000	£'000	£'000	£'000
Bank loans		3,900	2,745	3,900	2,745
Rents received in advance		456	444	456	444
Trade creditors		689	1,904	655	1,784
Amounts owed to Group undertakings		-	-	220	690
Corporation tax		5	5	-	-
Other taxation and social security		119	114	83	78
Other creditors		1,223	1,137	1,197	1,117
Government grants	18	193	208	193	208
Accruals and deferred income		2,394	1,186	2,311	1,079
Pension deficit funding liability	19	-	-	-	-
		8,979	7,743	9,015	8,145

### 18. Creditors – Amounts Falling Due After More Than One Year

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Debt	106,397	110,419	106,397	110,419
Government grants	19,736	19,260	19,736	19,260
Recycled capital grant fund	356	254	356	254
Pension deficit funding liability	-	-	-	-
	126,489	129,933	126,489	129,933

The loans are secured on freehold housing properties. Interest is payable at rates ranging from 1.87% to 6.18%.

The total accumulated amount of capital grant received or receivable at the Statement of Financial Position date is £20,286k (2019: £19,722).

# Two Rivers Housing

## Report and Financial Statements for the Year Ended 31 March 2020

### 18. Creditors – Amounts Falling Due After More Than One Year (continued)

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
<b>Deferred income - Government grants</b>				
At 1 April 2019	19,468	19,328	19,468	19,328
Grants receivable	764	376	764	376
Grant Recycled	90	-	90	-
Transfer to RCGF	(190)	(28)	(190)	(28)
To Profit on Disposal	5	-	5	-
Amortisation to Statement of Comprehensive Income	(208)	(208)	(208)	(208)
At 31 March 2020	19,929	19,468	19,929	19,468
Due within one year	193	208	193	208
Due after one year	19,736	19,260	19,736	19,260

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
<b>Recycled capital grant fund</b>				
At 1 April 2019	254	225	254	225
Inputs to RCGF	190	27	190	27
Recycling of grant	(90)	-	(90)	-
Interest accrued	3	2	3	2
At 31 March 2020	357	254	357	254

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
<b>Bank loans</b>				
Due within one year	3,900	2,745	3,900	2,745
Due between one and two years	4,297	3,900	4,297	3,900
Due between two and five years	17,108	21,405	17,108	21,405
After five years	85,000	85,000	85,000	85,000
	106,405	110,305	106,405	110,305
Effective interest rate adjustment	528	682	528	682
Less: Facility arrangement fee	(536)	(568)	(536)	(568)
Due after one year	106,397	110,419	106,397	110,419
Total borrowings	110,297	113,164	110,297	113,164

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

### 19. Retirement Benefit Schemes

#### Defined Contribution Schemes

The Group operates defined contribution retirement benefit schemes for qualifying employees. The total net expense charged to Statement of Comprehensive Income in the year ended 31 March 2020 was £321,000.

#### Defined Benefit Schemes

	2020 £'000	2019 £'000
LGPS BD Scheme	(475)	(1,521)
SHPS DB Scheme	(205)	(622)
Total liability relating to defined benefit schemes	(680)	(2,143)

The Group operates defined benefit schemes for qualifying employees. Under the schemes, the employees are entitled to retirement benefits varying between 1% and 2% per cent of final salary on attainment of Normal Pension Age (which varies by scheme but has a minimum age of 65). Both schemes offer some flexibility for earlier or later retirement subject to an actuarial adjustment. No other post-retirement benefits are provided. The schemes are funded schemes.

1) The Gloucestershire County Council Pension Fund, which is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme Regulations 1997, as amended.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 2020 by Julie West, Fellow of the Institute and Faculty of Actuaries, from Hymans Robertson LLP. The present value of the defined benefit obligation, the related current service cost and past service cost was measured using the projected unit credit method.

	Valuation at	
	2020	2019
Key assumptions used:		
Discount rate	2.3%	2.4%
Salary Increase rates	2.2%	2.8%
Future pension increases (CPI)	1.9%	2.5%

#### Mortality Assumptions:

Vita curves with improvements in line with the CMI 2018 model an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.25% p.a. for women and men. Based on these assumptions the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners:	21.7 years	23.9 years
Future Pensioners:	22.4 years	25.3 years

# Two Rivers Housing

## Report and Financial Statements for the Year Ended 31 March 2020

### 19. Retirement Benefit Schemes (continued)

#### Historic mortality

Life expectancies for the prior period end are based on the fund's Vita Curves. The allowance for future life expectancies is shown below:

Period Ended	Prospective Pensioners	Pensioners
31 March 2019	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long-term rate of 1.25% p.a.

#### Commutation

An allowance is included for future retirements to elect to take 35% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 68% of the maximum tax-free cash for post-April 2008 service.

Amounts recognised in the Statement of Comprehensive Income in respect of these defined benefit schemes are as follows:

	2020	2019
	£'000	£'000
Current service cost	515	408
Past service cost	27	-
Net interest cost	41	13
	583	421
<b>Recognised in other comprehensive income</b>		
Income (OCI)	(1,421)	930
Total cost relating to defined benefit scheme	(838)	1,351

The amount included in the Statement of Financial Position arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2020	2019
	£'000	£'000
Present value of defined benefit obligations	(14,865)	(16,804)
Fair value of scheme assets	14,390	15,283
Net liability recognised in the Statement of Financial Position	(475)	(1,521)

Movements in the present value of defined benefit obligations were as follows:

	2020	2019
	£'000	£'000
At 1 April	16,804	14,835
Service cost	542	408
Interest cost	408	403
Actuarial (gains) and losses	(2,664)	1,354
Contributions from scheme participants	91	78
Benefits paid	(316)	(274)
At 31 March	14,865	16,804

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

### 19. Retirement Benefit Schemes (continued)

Movements in the fair value of scheme assets were as follows:

	2020 £'000	2019 £'000
At 1 April	15,283	14,476
Interest income	367	390
Actuarial gains and (losses)	(1,243)	424
Contributions from the employer	208	189
Contributions from scheme participants	91	78
Benefits paid	(316)	(174)
At 31 March	14,390	15,283

The estimated split of scheme assets at the Statement of Financial Position date was as follows:

	Fair value of assets	
	2020 %	2019 %
Equity instruments	64	67
Bonds	26	23
Property	9	8
Cash	1	2

### Projected Pension Expense for the Year to 31 March 2021

Period Ended 31 March 2021	Assets £'000	Obligations £'000	Net (liability)/asset	
			£'000	% of Pay
Projected Current Service cost	-	374	(374)	(32.5%)
<b>Total Service Cost</b>	<b>-</b>	<b>374</b>	<b>(374)</b>	<b>(32.5%)</b>
Interest Income on Plan assets	331	-	331	28.8%
Interest Cost in defined Benefit obligation	-	344	(344)	(29.9%)
<b>Total Net Interest Cost</b>	<b>331</b>	<b>344</b>	<b>(13)</b>	<b>(1.1%)</b>
<b>Total Included in Statement of comprehensive Income</b>	<b>331</b>	<b>718</b>	<b>(387)</b>	<b>(33.6%)</b>

The current service cost includes an allowance for administration expenses of 0.6% of payroll. The monetary value is based on a projected payroll of £1,149,000.

The contributions paid by the Employer are set by the Fund Actuary at each triennial valuation, or at any other time as instructed to do so by the Administering Authority. The estimated employer contributions for the period to 31 March 2021 will be approximately £209k.



## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

### 19. Retirement Benefit Schemes (continued)

#### Sensitivity

The sensitivities regarding the principle assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2020	Approximate % increase to Employer Liability	Approximate Monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	1,526
0.5% increase in Salary increase rate	1%	209
0.5% increase in the Pension increase rate	9%	1,301

### 2) The Pensions Trust – Social Housing Pension Scheme

The company participates in the Social Housing Pension Scheme (the Scheme), a multiemployer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive. The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

Similarly, an actuarial valuation of the scheme was carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive.

**19. Retirement Benefit Schemes (continued)**

**PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND  
DEFINED BENEFIT ASSET (LIABILITY)**

	<b>31 March 2020</b>	<b>31 March 2019</b>
	<b>(£'000s)</b>	<b>(£'000s)</b>
Fair value of plan assets	1,906	1,895
Present value of defined benefit obligation	2,111	2,517
Surplus (deficit) in plan	(205)	(622)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(205)	(622)

**RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT  
OBLIGATION**

	<b>Period ended</b>
	<b>31 March 20120</b>
	<b>(£000s)</b>
Defined benefit obligation at start of period	2,517
Current service cost	16
Expenses	3
Interest expense	58
Member Contributions	9
Actuarial losses (gains) due to scheme experience	(34)
Actuarial losses (gains) due to changes in demographic assumptions	7
Actuarial losses (gains) due to changes in financial assumptions	169
Benefits paid and expenses	(131)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	2,111

# Two Rivers Housing

## Report and Financial Statements for the Year Ended 31 March 2020

### 19. Retirement Benefit Schemes (continued)

#### RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT ASSETS

	Period ended 31 March 2020 (£000s)
Fair value of plan assets at start of period	1,895
Interest income	44
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	2
Contributions by the employer	87
Contributions by plan participants	9
Benefits paid and expenses	(131)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	1,906

The actual return on the plan assets (including any changes in share of assets) over the period from 31 March 2019 to 31 March 2020 was £46,000.

#### DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCl)

	Period from 31 March 2019 to 31 March 2020 (£000s)
Current service cost	16
Expenses	3
Net interest expense	14
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in statement of comprehensive income (SoCI)	33

# Two Rivers Housing

## Report and Financial Statements for the Year Ended 31 March 2020

### 19. Retirement Benefit Schemes (continued)

#### DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2020 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	2
Experience gains and losses arising on the plan liabilities - gain (loss)	34
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	21
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	306
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	363
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	363

ASSETS	31 March 2020 (£000s)	31 March 2019 (£000s)
Global Equity	279	319
Absolute Return	99	164
Distressed Opportunities	37	34
Credit Relative Value	52	35
Alternative Risk Premia	133	109
Fund of Hedge Funds	1	9
Emerging Markets Debt	58	65
Risk Sharing	64	57
Insurance-Linked Securities	59	54
Property	42	43
Infrastructure	142	99
Private Debt	38	25
Opportunistic Illiquid Credit	46	-
Corporate Bond Fund	109	88
Liquid Credit	1	-
Long Lease Property	33	28
Secured Income	72	68
Over 15 Year Gilts	-	-
Index Linked All Stock Gilts	-	-
Liability Driven Investment	633	694
Net Current Assets	8	4
Total assets	1,906	1,895

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

### 19. Retirement Benefit Schemes (continued)

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

#### Key Assumptions

	31 March 2020	31 March 2019
	% per annum	% per annum
Discount Rate	2.37%	2.33%
Inflation (RPI)	2.60%	3.28%
Inflation (CPI)	1.60%	2.28%
Salary Growth	2.60%	3.28%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2040	22.9
Female retiring in 2040	24.5

# Two Rivers Housing

## Report and Financial Statements for the Year Ended 31 March 2020

### 20. Financial Instruments

The carrying values of the Group and Association's financial assets and liabilities are summarised by category below:

summarised by category below.

		Group		Association	
		2020	2019	2020	2019
	Note	£'000	£'000	£'000	£'000
<b>Financial assets</b>					
Measured at undiscounted amount receivable					
Rent arrears and other debtors	16	296	297	296	297
Amounts due from related undertakings	16	-	-	2,028	2,305
Trade debtors	16	17	14	-	-
Cash and cash equivalents		16,675	31,205	16,189	30,828
		16,988	31,516	18,513	33,430
<b>Financial liabilities</b>					
Measured at amortised cost					
Loans payable	17,18	113,164	113,164	113,164	113,164
Pension deficit funding liability	19	680	2,143	680	2,143
Measured at undiscounted amount payable					
Bank overdraft	17	-	-	-	-
Rent received in advance	17	456	444	456	444
Trade creditors	17	689	1,904	655	1,784
Corporation tax	17	5	5	5	5
Amounts owed to related undertakings	17	-	-	220	690
Other taxation and social security	17	119	114	83	78
Other creditors	17	1,223	1,137	1,197	1,117
		113,469	118,911	113,593	119,425

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	Group	
	2020 £'000	2019 £'000
<b>Interest income and expense</b>		
Total interest income for financial assets at undiscounted amount	180	208
Total interest expense for financial liabilities at amortised cost	3,602	3,723

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

### 21. Statement of Cash Flows

	2020 £'000	2019 £'000
<b>Cash flow from operating activities</b>		
Surplus for the year	3,340	4,400
<b>Adjustment for non-cash items:</b>		
Depreciation of property, plant and equipment	4,486	3,892
Amortisation of intangible assets	32	14
Decrease/(increase) in inventories	2,054	1,459
Decrease/ (increase) in debtors	(471)	761
Increase/(decrease) in creditors	373	589
Corporation tax	-	(5)
Adjustments relating to pension scheme	321	82
<b>Adjustments for investing or financing activities:</b>		
Gain on sale of property, plant and equipment	(13)	(905)
Government grants utilised in the year	(203)	(206)
Interest payable	3,517	3,723
Interest received	(181)	(208)
Taxation	-	-
<b>Cash generated by operations</b>	<b>13,255</b>	<b>13,596</b>
<b>Cash and cash equivalents</b>		
Cash at bank and in hand	16,675	31,205
Bank overdrafts (see note 17)	-	-
<b>Cash and cash equivalents</b>	<b>16,675</b>	<b>31,205</b>

### 21a. Analysis of Changes in net debt

	As at 1 April 2019 £'000	Cashflows £'000	Other changes £'000	As at 31 March 2020 £'000
Cash	1,655	(14,530)	15,900	3,025
Money market deposits	29,550		(15,900)	13,650
Banks loans due less than 1 year	(2,745)	2,745	(3,900)	(3,900)
Bank loans due more than 1 year	(110,419)	-	4,022	(106,397)
Finance lease commitments	(182)	20	-	(162)
<b>Total</b>	<b>(82,141)</b>	<b>(11,765)</b>	<b>122</b>	<b>(93,784)</b>



## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020



### 22. Financial Commitments

Capital commitments are as follows:

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Contracted for but not provided for	19,155	25,761	15,318	25,761
Approved by the directors but not contracted for	8,191	8,473	8,191	3,259
<b>Total Capital Commitments</b>	<b>27,346</b>	<b>34,234</b>	<b>23,509</b>	<b>29,020</b>

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Payments due:				
- within one year	120	92	3	3
- between one and five years	42	90	10	13
- after five years	-	-	-	-
<b>Total Capital Commitments</b>	<b>162</b>	<b>182</b>	<b>13</b>	<b>16</b>

Future financial commitments will be met from operating surpluses and from the additional funding being raised.

### 23. Housing Stock

	Group		Association	
	2020	2019	2020	2019
	Units	Units	Units	Units
<b>Social housing accommodation</b>				
General needs housing accommodation	2,856	2,866	2,856	2,866
Housing accommodation at affordable rent	503	377	503	377
Housing accommodation at intermediate rent	12	12	12	12
Housing for older people accommodation	594	594	594	594
Shared ownership accommodation	204	152	204	152
	<b>4,169</b>	<b>4,001</b>	<b>4,169</b>	<b>4,001</b>
<b>Non-social housing accommodation</b>				
Leaseholders	44	44	44	44
Market rent	2	2	2	2
	<b>46</b>	<b>46</b>	<b>46</b>	<b>46</b>
<b>Total</b>	<b>4,215</b>	<b>4,047</b>	<b>4,215</b>	<b>4,047</b>
 Owned units in management	 4,171	 4,003	 4,171	 4,003
<b>Units developed during the year:</b>				
Social housing	186	56	186	56
Non-social housing units	-	-	-	-

## Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020



### 23a. Housing Stock Reconciliation

	31 March 2019	Additions	Disposals	31 March 2020
<b>Social Housing</b>				
General needs housing accommodation	2,866	3	(13)	2,856
Affordable rent	377	126	-	503
Intermediate rent	12	-	-	12
Housing for older people	594	-	-	594
Shared ownership accommodation	152	58	(6)	204
	<b>4,001</b>	<b>187</b>	<b>19</b>	<b>4,169</b>
<b>Non Social Housing</b>				
Market rent	2	-	-	2
<b>Units owned and managed</b>	<b>4,003</b>	<b>187</b>	<b>(19)</b>	<b>4,171</b>

In addition to the housing properties, Two Rivers owns 791 garages.

### 24. Related Party Transactions

Tenant representative board members who have served during the year on the Group or subsidiary Board rent properties from the Company under the same terms and conditions as all tenants in similar properties. They are Mrs Rita Jones and Mr Christopher Hillidge.

The aggregate amount of rent and service charges received from tenant board members in the year was £9,270 (2019: £7,506). The value of rent arrears at year-end from tenant board members was £284 (2019: £Nil).

Two Rivers Housing which is registered in England and Wales is the ultimate parent undertaking of:

- Two Rivers Initiatives Limited – a registered charity in England and Wales
- Two Rivers Developments Limited – a company limited by shares and registered in England and Wales
- Centigen Facilities Management Limited – a company limited by shares and registered in England and Wales
- Centigen TRH Facilities Management Limited – a company limited by shares and registered in England and Wales

# Two Rivers Housing Report and Financial Statements for the Year Ended 31 March 2020

## 24. Related Party Transactions (continued)

The table below details the intra-group transactions:

Non-regulated subsidiary	Transfers	Cost in year £'000	Income in year £'000	Balance at year end £'000
<b>Two Rivers Developments Limited</b>	Recharge of development staff and admin costs from Two Rivers Housing. Provision of design and build Services from Two Developments to Two Rivers Housing in accordance with contract fees. Intercompany loan interest payable to Two Rivers Housing.	567	37	-
	Intercompany debtor	-	-	1,116
<b>Centigen TRH Facilities Management Limited</b>	Recharge of admin and set up costs to Centigen. Provision of facilities management and cleaning to Two Rivers Housing. Intercompany loan interest payable to Two Rivers Housing.	3,127	12	-
	Intercompany creditor	-	-	6
<b>Centigen Facilities Management Limited</b>	Recharge of minor set up costs for Centigen Facilities Management Ltd. Intercompany loan interest payable to Two Rivers Housing.	64	35	-
	Intercompany debtor	-	-	698

Two Rivers Housing has taken the exemption in section 33.1A of Financial Reporting Standard 102 not to disclose any further transactions with other Group members aside from those disclosed above in accordance with the Accounting Direction for Private Registered Providers of Social Housing 2015.