Annual report and financial statements

For the year ended 31 March 2021

Creating great homes and supporting communities

Registered number: 04263691
Regulator registration number: L4385

Contents

Company information

Executive Directors

Garry King BA (Hons), MBA (Dip), DIP Housing Admin. FCIH (Chief Executive)
Appointed to Chief Executive in 2002 having led the LSVT from the Forest of Dean District Council. He completed housing training at Sheffield Hallam University and then became a trainee with Bristol City Council, followed by senior roles in local authorities.

Carol Dover BA (Hons), ACMA (Corporate Director - Resources)
Joined Two Rivers Housing in March 2019. Previously Head of Finance at Connexus in Herefordshire. She has also worked in senior finance roles at The University of Worcester, Marches HA and Wyevale Garden Centres.

Tom Hainey (Interim Corporate Director - Operations)
Joined Two Rivers Housing in February 2020 on an interim basis. Previously Executive Director of Property and Development at Beyond Housing. Tom has more than 35 years' experience in the housing sector.

Peter Stoate Bsc (Hons), ACIB, MBA (Dip), (Corporate Director – Operations), deceased January 2021.

Board members

Chair: Yvonne Leishman OBE BA FCIH
Yvonne is a former President of the Chartered Institute of Housing and Chair of HouseMark. She received an OBE for services to housing. Yvonne is an experienced Managing Director and joined the Board in 2017.

Vice-chair: John Bloxsom MBA, Prince2 FCIH
An experienced housing practitioner and consultant and Fellow of the Chartered Institute of Housing. Joined in 2012.

Susan Holmes
More than 35 years' experience in housing, social care and the voluntary sector. Susan joined the board in 2016.

Tim Jackson FCA BSc
Executive Director of Transformation at Newport City Homes, a qualified Accountant who has worked in the commercial, public and not-for-profit sectors. Joined in May 2018.

Rita Jones
Rita has had a varied career including as a Pub Landlady. She is a Two Rivers Housing tenant and joined the Board in 2016.

Edward Pearce BA (Hons) FRICS FRSA FRGS
Director of Strategic Asset Management at Orbit Homes, a Fellow of RICS and RSA and member of BIFM. He joined the Board in 2019.

Neil Sutherland OBE DL, BSc (Eng), MA, CEng, CMgr, FICE, FCMI
A Chartered Civil Engineer and former Royal Engineer Officer with experience of multi-national leadership and project management. Joined in 2016.

Subsidiary Board members

Two Rivers Developments

Chair: Edward Pearce

Company Secretary: Carol Dover

Neil Sutherland

Kevin Shaw

Jonathan Richards

Centigen FM Limited

Chair: Neil Sutherland

Company Secretary: Carol Dover

Tim Sharp

Stephen Pippard

Centigen TRH FM Limited

(This was transferred to Centigen FM Limited on 1 July 2021)

Chair: Neil Sutherland

Company Secretary: Carol Dover

Tim Sharp

Stephen Pippard

Two Rivers Initiatives

Chair: Rita Jones

Company Secretary: Garry King

Christopher Hillidge

Sara Beven

Company 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

Solicitors: Anthony Collins Solicitors, Wright Hassall, Trowers & Hamlins

Bankers: Barclays Bank

Our history

2003
First formed as 'Forest of Dean Housing', taking on 3,600 homes from the Forest of Dean District Council.

2004
Established 'Forest of Dean Initiatives', a charitable organisation providing financial support for community and regeneration projects.

2006
Became 'Two Rivers Housing' and invested more than £50m in its homes.

2007
Established 'Two Rivers Developments' to support the delivery of new affordable homes to the area.

2010
Nominated for the CIH Sustainable Housing Awards under the category of 'Most Sustainable Social Housing Project of the Year'.

2013
Established 'Centigen' to bring repairs in-house and generate income for investment in Two Rivers Housing.

Redeveloped existing site, building 43 new level three sustainable homes.

2014
Opened its Rivers Meet Office in Newent, which achieved a BREEAM rating of 'Excellent'.

2015
Completed first ever housing scheme using a brand new flexible internal design.

2018
Recognised as a 'great place to work' by The Sunday Times Top 100 list.

Committed to delivering 1,000 new affordable homes by 2028.

2019
Undertook a Carbon Impact Assessment to better understand its environmental impact and how the Group can work towards being net-zero carbon by 2050.

2020
Secured its largest ever private investment to support the delivery of new homes and invest in improving its existing homes and services.

2003 2004 2006 2007 2010 2013 2014 2015 2018 2019 2020 2021

"Everyone should have access to a warm, safe, affordable home when they need it."

Garry King, Chief Executive, Two Rivers Housing

Statement from the Chair and Chief Executive

Despite the incredibly challenging circumstances of the last 12 months, we are pleased to announce another successful year for the Two Rivers Housing Group.

The pandemic has demonstrated the importance a good quality, affordable home has on people's quality of life, and we are proud to play our part in providing this for more than 4,200 families across Gloucestershire.

Our response to the pandemic has been robust. We revised our organisation and financial plans early on to ensure that we were able to focus on core areas such as health and safety, customer support, value for money and risk and treasury management. This has enabled us to maintain a firm financial footing throughout the pandemic and provided reassurance to the Group Board and our wider stakeholders.

The Group's financial position for 2020/2021 remains in line with its business plan and continues to provide a strong foundation for us to deliver on our mission to create great homes and support communities.

This was further bolstered in September 2020, when we brokered our first ever private placement investment which, combined with a new £50m revolving credit agreement, secured a total investment of £130m.

This funding will not only help us to deliver on our promise to build 1,000 new affordable homes by 2028, but also support regeneration projects, investment in our existing homes and the services that we provide to our tenants as well as our ambition to become a net-zero carbon organisation.

Our planned maintenance programme was put on hold during the first national lockdown and, while we have continued with some aspects of the programme during the year, we chose to focus on maintenance issues that could be completed with minimal contact between our tenants and operatives. We have now been able to reinstate our full planned maintenance programme, and works will continue in line with the previous schedule.

Investing in the energy efficiency of our older properties is a key step in our journey towards becoming net-zero carbon. Over the last few years, we have significantly invested in older stock with a view to ensuring that all our homes achieve an EPC rating of D or above with a view to increasing this to C and above over the coming years.

This is an ambitious plan that will not only help us to reduce our carbon emissions but also help us tackle fuel poverty amongst some of our most vulnerable tenants. This is a vital part of keeping homes affordable for those on lower incomes and making sure that our homes continue to meet and exceed the Decent Homes Standard.

We are currently undertaking a decarbonisation pilot project, which will provide us with vital information on how our older properties are currently performing and the most effective ways to make improvements.

The project is being part funded by a government grant from the Department for Business, Energy & Industrial Strategy (BEIS) and will allow us to fully retrofit around 20 of our older homes. It will include improving the fabric of the building as well as the installation of more energy efficient heating systems and SMART technology and will help us create our long-term planned maintenance programme across our entire stock.

The first national lockdown also saw construction sites shut down. Inevitably this had an impact on our ability to deliver new homes. Despite this, we were able to make 84 new homes available to families across Gloucestershire between April 2020 and March 2021.

We have not only strengthened existing relationships with our development partners, but forged several new ones. As a result, we have a healthy pipeline of development opportunities for the coming years and remain on track to hit our target of building 1,000 new affordable homes by 2028.

We believe that everyone should have access to a warm, safe, affordable home when they need it and will continue to invest in improving and regenerating our existing homes as well as building new ones.

Statement from the Chair and Chief Executive continued

The pandemic has also clearly demonstrated the importance that our people have on the success of our organisation.

Investing in our people and retaining and attracting the best talent is key to the success of the Group. In 2020/2021, we created the new role of Assistant Director of People and Culture and developed a new People Strategy, which aims to bring out the best in our people so that they can deliver the best results for our customers.

We also had our Investors in People Gold status reaffirmed and are currently working on a new agile working proposal that will provide greater flexibility to our team once current restrictions are lifted.

The Group Board held several workshops during the year that focussed on horizon scanning, our risk appetite, capacity review and our 10-year vision. This provided the opportunity to reflect on what we want to achieve as an organisation and how we can do that with the resources available to us.

In 2021/2022, we will be consulting with tenants and our team on our new 10-year vision, providing an opportunity for our tenants to help shape the future of their housing association. We will also be working with colleagues to understand what continues to inspire them to be part of the Two Rivers Housing team.

The Group Board also approved the move to adopt the NHF's Code of Governance 2020 from 1 April 2022. Work has begun on the changes needed to ensure that we meet these standards by this date and will continue throughout 2021/2022.

As a community-based organisation with a social purpose, our work goes beyond the practicalities of simply providing new homes. The welfare of our tenants is our fundamental concern and throughout the pandemic this has been demonstrated across our organisation.

At the beginning of the pandemic, our debt and welfare team received record levels of requests for support from tenants who suddenly found themselves having to navigate the benefits system. Our housing teams made thousands of calls to our most vulnerable tenants, and our Centigen operatives continued to undertake essential and emergency repairs in tenants' homes.

We made our employee assistance programme available to tenants during the first lockdown, which provided access to advice on employment law, debt, welfare and health issues free of charge, provided additional support to local foodbanks, charitable organisations and launched our Two Rivers Initiatives Community Grant Fund, which will see £90,000 donated to local charities and community groups during 2021 and 2022.

There is no doubt that the past 12 months have been challenging for everyone on all levels, but together we have continued to support our tenants, build new homes and help more families find a warm, safe, affordable home. This would not have been possible without the hard work and dedication of our colleagues, the Board and committee members, our involved tenants, partners and contractors.

We are incredibly proud to work for an organisation that continues to make a real difference to the lives of people across Gloucestershire and would like to thank everyone involved for helping us to achieve this.

Yvonne Leishman OBE
Chair

Garry King
Chief Executive

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 2021.

Principal activities

Two Rivers Housing is a company limited by guarantee, Registered No. 04263691, with direct subsidiaries that include Two Rivers Developments 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 Group'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 (2020: £nil).

No political donations were made during the financial year (2020: £nil).

Reserves

The Group surplus on reserves at the end of the financial year was £52.8m (2020: £49.8m). This is after the transfer of the comprehensive income for the financial year of £2.9m (2020: £5.1m).

Post balance sheet events

There has been one post balance sheet event in relation to the subsidiaries, which is the completion of the business assets transfer of Centigen TRH Facilities Management Limited to Centigen Facilities Management, which came into force from 1 July 2021. This has not required any adjustment to 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.

Board members

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

- Chair: Yvonne Leishman OBE BA FCIH
- Vice Chair: John Bloxsom MBA, Prince2 FCIH
- Susan Holmes
- Rita Jones
- Tim Jackson FCA BSc
- Edward Pearce BA (Hons) FRICS FRSA FRGS
- 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 Group.

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

Partnerships

The Group's performance is boosted by strong partnerships with its key stakeholders including, community groups, specialist organisations, and other local and national associations, as well as its tenants and colleagues within the organisation.

These relationships help Two Rivers Housing deliver on its promises and meet its objectives and commitments to its customers in an efficient and effective manner.

Report of the Board continued

Regular consultation takes place between the organisation and its customers and colleagues throughout the year, activities include:

- Regular briefings, discussions team meetings and events with colleagues.
- An externally accredited assessment of colleague engagement and employment practices through Investors in People.
- A tenant-led Challenge & Change Group, which has direct access to the Group Board.
- Independently run surveys using the STAR methodology for tenants to provide anonymous feedback enabling the organisation to understand more about the quality of its service and how it compares to similar organisations nationally.
- External benchmarking drawing comparisons with similar organisations, which help drive improvements and Value for Money initiatives.

To further strengthen the link between the organisation and these two key stakeholder groups, the organisation undertook several projects in 2020-21 including:

- The creation of the new role of Assistant Director of People and Culture, to further develop its offering and help the organisation attract and retain the best talent.
- The development of a new People Strategy to provide further clarity to colleagues on how their role supports the organisation's plan and priorities and what they can expect from Two Rivers Housing as their employer.
- An internal communications audit that helped to understand how colleagues want to receive information and what information they want and need from the leadership team.
- An independent review of the organisation's current tenant engagement programme with tenant engagement specialists Tenant Participation Advisory Service (Tpas). The recommendations from this review are due in May 2021 and will help the organisation further strengthen its link with tenants.

These customer and colleague initiatives help the Board, employees and customers to play an active role in shaping the future provision of the organisation's services.

The Group's commitment is not only to its customers, but also to the wider community in which it operates. Its membership of the national PlaceShapers Group of housing associations underlines its commitment to both tenants and communities. This is further demonstrated by the active role the Group has in many of its communities.

While restrictions due to the pandemic have impacted the wider role its team plays in the community, the Group has continued to support a wide range of charities, community groups, schools and colleges.

At the end of September 2020, it awarded its first 'Good Neighbour Award' celebrating members of the community that had gone above and beyond to improve the lives of neighbours and those in the wider community.

It came to the aid of a local foodbank, by providing free storage space to house donations and found a way to ensure that the local branch of the Salvation Army could continue to provide presents to disadvantaged children in the area using Amazon Wish Lists. This enabled colleagues to purchase gifts and have them delivered straight to the charity.

And, in the last quarter of the year, the Group made £30,000 in grants available to community groups and local charities through the Two Rivers Initiatives fund. A further £60,000 will be made available in the next financial year.

Despite restrictions placed on the organisation, Two Rivers Housing continued to support tenants and other members of the community throughout the year. Its housing team made thousands of calls to its most isolated and vulnerable tenants, providing a much-needed point of contact every week. It also opened up its free employee support programme to tenants between May and July 2020, which enabled tenants to access free debt, welfare and mental health advice.

Report of the Board continued

The Group remains active partners in the Cinderford Regeneration Board, the GFirst Local Enterprise Partnership, Gloucestershire Homes and Communities Partnership, and the Forest Economic Partnership, and also works with the police and health and local authorities to help achieve safe, healthy and sustainable communities.

It is a full participant in Gloucestershire Homeseekers, providing homes by nomination from local councils, and works closely with local authority partners to deliver affordable housing.

Alongside this, the Group has a valuable Partnership Forum with Forest of Dean District Council, and good working arrangements with Stroud District Council, Gloucester City Council, Tewkesbury Borough Council, Cotswold District Council and Herefordshire Council.

In November 2020, Two Rivers Housing submitted a successful joint bid with Stroud District Council and Cheltenham Borough Homes to the Social Housing Decarbonisation Fund, part of the £3.8bn set aside by the UK government to fund the UK's ambition to be net-zero carbon by 2050. The grant secured by this fund will enable the Group to completely retrofit a small number of its homes in the Forest of Dean and is a valuable learning opportunity as the Group starts its own journey towards net-zero carbon.

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). This has been reaffirmed by the Regulator of Social Housing in 2020.

On 29 July 2021, 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.

In 2020, the National Housing Federation released a new Code of Governance. The Group Board has approved the adoption of the new Code and work is underway to meet the requirements of this for the 2022/23 financial year.

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 2021, the Group celebrated receiving its eighth 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.

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 2021 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 2015 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,
- confirming that the Group Board has reviewed the effectiveness of these systems of control; and
- complying with all relevant law.

Report of the Board continued

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.
- Risk strategy and policy setting out the risk management framework.
- Health and safety management framework.

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 policies in place 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 no reported cases of fraud during the year and 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 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, short- and long-term funding facilities and grants from government and local authority. The Group has a formal Treasury Management Policy that was approved by the Group Audit Committee in March 2021.

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 Group 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 23 September 2021.

Independent Auditor

Mazars LLP were appointed by the Group Board on 30 July 2020. The external audit contract went out to tender in 2021 and the preferred bidder will be proposed to the members for appointment at the Annual Members Meeting.

The report of the Board was approved by the Group Board on 29 July 2021 and signed on its behalf by:

Yvonne Leishman

Chair

Strategic report

Background and business model

Two Rivers Housing 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 three subsidiaries:

tworivers HOUSING

- Asset holding
- Borrower
- Charitable registered provider

tworivers DEVELOPMENTS LTD

- Non-charitable
- Non-asset holding
- Limited company
- Development/property company

CENTIGEN FACILITIES MANAGEMENT

- Non-charitable
- Non-asset holding
- Limited company
- Maintenance and facilities maintenance

tworivers INITIATIVES

- Two Rivers Initiatives
- Charitable
- Community Benefit Society
- Community initiatives

- Two Rivers Developments designs, builds, and sells homes for both Two Rivers Housing and open market sales, with the profits being gift-aided to the parent. Two Rivers Developments also includes the Tandem Living brand, which sells properties on the open market on behalf of Two Rivers Developments.
- Centigen Facilities Management delivers maintenance and facilities management to Two Rivers Housing and external organisations. Centigen FM also includes the TwoCan brand, which provides estate agent services for homeowners and other housing associations.
- Two Rivers Initiatives is a charitable and community interest company providing support and funding for community activities and initiatives within the local area.

Strategic report continued

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

Centigen TRH (formerly part of the Two Rivers Housing Group) ceased trading and was consolidated into Centigen FM with effect from 1 July 2021.

At 31 March 2021, Two Rivers Housing managed 4,289 homes including 4,243 social housing properties with related support, two market rent properties and 44 leasehold properties. The Group was founded on the notion that everyone should have access to a warm, safe, affordable home when they need it, and remains committed to not only providing homes, but providing great homes and supporting the communities in which it operates.

Objectives and strategy

In 2020, the Group revisited its three-year organisation plan to help ensure that it remained focussed on the areas that would best help it deliver on its mission to create great homes and support communities. It reviewed and reworked its four organisation priorities to reflect the changes needed to take the organisation forward.

These four priorities, Our Customers, Our Homes, Our People and Our Corporate Health, were underpinned by a number of key initiatives, which would support the achievement of the organisations Key Performance Indicators and ensure that it continued to deliver warm, safe, affordable homes for many years to come.

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 organisation 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 net-zero carbon by or before 2050.

COVID-19

The last year has presented a significant challenge globally as the COVID-19 pandemic took hold and the country was put into a government enforced lockdown. There is no doubt that the full impact and implications of the pandemic are yet to be understood, particularly as the government's furlough scheme comes to an end, the country enters a period of economic recovery, and new variants threaten the effectiveness of the current vaccine programme.

The Group's core services were interrupted throughout the year, as it navigated the ever-changing COVID landscape. In March 2020, its Rivers Meet office was closed and all colleagues that were able to do so began to work from home. The organisation's solid IT infrastructure enabled this to be a relatively smooth transition, which allowed the leadership team to concentrate on the impact on the Group's core services.

In line with government advice, a decision was made to suspend all repairs and planned maintenance during the first national lockdown and all development work came to a halt. A small number of the Centigen team continued to provide an emergency repairs service for tenants, while others were furloughed along with office-based colleagues who could not complete their duties in a lockdown environment.

Safe systems of work were developed to enable colleagues to return to work as soon as the government advice changed and manage the risk to tenants and colleagues as services were reinstated. This initial work put the housing association and its subsidiaries in a strong position to react quickly to subsequent changes made throughout the pandemic.

At 31 March 2021, the Group had plans in place to reinstate its core services in line with the government's advice and roadmap and was working on re-opening its Rivers Meet office to enable colleagues to work from this location more widely.

Alongside this, the organisation has engaged with tenants to gather insight on its response and understand what was done well and what could be improved going forward. Its tenant-led Challenge & Change Group conducted a full scrutiny of how the pandemic has been handled, making recommendations to the Board for approval. These recommendations are currently being worked through across the organisation.

2020/2021 core objectives performance

In the financial year ending 31 March 2021, the organisation set the following core objectives under each of its four organisation priorities:

Our Customers

- 88% overall customer satisfaction with Two Rivers Housing as a landlord from STAR Survey in 2020/2021.

Our People

- Retain or win 'excellent employer' external accreditation in 2020/2021.
- Percentage of voluntary leavers less than 6% during 2020/2021.
- Sickness levels at less than 4% during 2020/2021.

Our Homes

- 100% of homes achieve the government's Decent Homes Standard at the end of 2020/2021.
- 100% of our homes have an Energy Performance Certificate rating of band D or above by the end of 2020/2021.
- Deliver 100 new homes during 2020/2021 (based on a three-year average).

Our Corporate Health

- Achieve an operating margin of 26.8% in 2020/2021.
- 100% landlord compliance for the year 2020/2021.
- Regulatory judgement of G1 and V2 or above in 2020/2021.
- Maintain management costs per property at current levels during 2020/2021.

Our Customers

In 2020/2021, Two Rivers Housing achieved an overall satisfaction score of 86%, just below its target of 88%. This is a 1% drop compared to the previous year, however considering the impact that the pandemic had on the Group's core services, the scores have held up well.

It is also worth noting that the STAR methodology was changed this year with two additional core questions added to the survey. These covered how safe and secure tenants feel in their homes and how easy their landlord is to deal with. Two Rivers Housing scored 90% in the safe and secure question and 85% in the easy to deal with question.

The Group's focus continues to be on improving overall satisfaction scores. Until the recent changes to the STAR methodology, repairs service was the biggest influence on overall satisfaction scores. In 2019, the Group sought an independent review of its repairs service, the recommendations and changes resulting from this are currently being implemented.

In November 2020, the Group restructured its customer team to help strengthen its operational capacity and support the improvement of contact methods and the implementation of new ones. This will help improve the ease in which customers can communicate with the organisation. It will also support the provision of more consistent customer insight to the wider organisation, enabling decisions to be made more quickly and effectively.

In the last quarter of the year, the Group engaged with tenant engagement specialists Tpas, to complete a review of its current engagement activity and provide recommendations on how this can be further strengthened. The findings of this report are due in May 2021, and the Group has strengthened its engagement and coregulation team in anticipation of this.

Our Homes

Despite the need to temporarily stop repairs and planned maintenance during the year, 100% of the Association's homes remained within the government's Decent Homes Standards in 2020/2121.

94% of the Group's housing stock now has an Energy Performance Rating of D or above. And in November 2020, Two Rivers Housing submitted a joint bid with Stroud District Council and Cheltenham Borough Homes, for the funding of a full retrofit decarbonisation pilot. This will see the housing association make improvements to several of its homes in the Forest of Dean, which will provide valuable insight on how best to improve the energy efficiency of its older stock. This forms part of the organisation's wider plans to become a net-zero carbon organisation by 2050.

Each year, the organisation produces more than 10,000 tonnes of CO2 and 90% of this comes from its homes. The decarbonisation pilot will help guide the Group's long-term planned maintenance programme, gain insight from tenants on the impact the work might have on them and their lives and supports the Group's wider environmental credentials.

In 2018, the group pledged to build 1,000 new affordable homes. That's an average of 100 new homes per year up until 2028. Despite a UK wide construction shutdown during the first national lockdown, the Group's development team delivered 84 new homes in the last financial year, taking the total number of new homes built since 2018 to 326, an average of 109 per annum to date. With several new agreements due to be in place with developers at the beginning of 2021/2022, the Group remains on track to meet its ambitious target of building 1,000 new homes by 2028.

Our People

Its people are an important factor in the successful delivery of the Group's services. In 2020, the organisation was awarded the Investors in People Gold Award. This award recognises the efforts the organisation makes to engage with and support its people to enable them to deliver the best results for its customers.

In 2020/2021, the Group restructured its internal functions and created a new role of Assistant Director of People and Culture. This role was created to help the organisation attract and retain the best talent, enable the Group to focus on the support and development of its team and develop and deliver the organisation's People Strategy.

The People Strategy was approved by the Group Board in March 2021, and will be launched to colleagues in 2021/2022. It focusses on five key areas, preparing the organisation for future demands, developing leadership and management capabilities, attracting, developing and retaining the best people, enhancing the organisation's effectiveness and improving colleague experience.

During the year, voluntary leavers stood at 5.6%, compared to the target of 6% and sickness levels were at 3.79%.

Our Corporate Health

Two Rivers Housing delivered an EBITDA MRI operating margin of 41.4% for the financial year ending 31 March 2021. This was 14.6% above its 26.8% target for the year predominantly due to lower major repairs expenditure incurred.

The restrictions in place due to the pandemic have limited the number of repairs being carried out during the year, but in particular the major repairs.

At Group level, turnover increased by 4.2% for the year. Turnover from social housing lettings increased by £0.9m benefitting from an increase in properties in management due to the delivery of new homes developed in 2019/2020. The sale of land held in Two Rivers Development has also more than offset the lower turnover generated from first tranche sales of Shared Ownership properties.

Strategic report continued

During the year, some properties were inaccessible due to tenants shielding in line with government advice, this temporarily impacted the Group's ability to undertake compliance safety checks in a small number of properties. At 31 March 2021, compliance safety checks had been completed on 99.93% of the Association's properties. There were two properties which were overdue as a result of tenants' shielding or health conditions preventing access.

Management costs per property were marginally lower than in 2019/2020 at £1,130 per property. This was due to lower expenditure on employee related expenditure such as training, travel and subsistence and conferences being limited by the COVID-19 pandemic.

In September 2020, the Group secured its largest ever private investment. In what was the first placement that was conducted completely remotely, the Group secured £130m in additional investment, which included an £80m private placement investment from a US-based institutional investor and a further £50m in a revolving credit agreement.

Alongside these financial measures, the Regulator for Social Housing reaffirmed the Group's G1 (Governance) and V1 (Viability) ratings in December 2020. This means that the Group has maintained its G1/V1 ratings for the last 18 years. As the Group continues to invest in new homes, it is committed to maintaining a rating of G1 for Governance and V2 or above for Viability at its next In-Depth Analysis.

In the year ending 31 March 2021, the Group reviewed its risk appetite and framework. It also reviewed several external contracts, utilising its position as a founding member of the CHIC framework (a collaborative procurement consortium) to seek out contracts that delivered the best Value for Money.

This included switching material suppliers from Travis Perkins to Grafton in a deal which included a material delivery service and strategically placed material hubs, therefore reducing the time operatives spent collecting materials from stores and reducing the carbon impact of these journeys.

Several other key contracts have also been reviewed and re-placed with further announcements to be made in the first half of 2021/2022.

In April 2021, the Group was awarded its eighth RoSPA Gold Medal for health and safety. This award recognises organisations that are world leaders in health and safety practices. The Group also maintained its ISO:9001 accreditation during the financial year.

In 2020/2021, work began to consolidate its two 'profit for purpose' subsidiaries Centigen FM and Centigen TRH via a transfer of business assets from Centigen TRH to Centigen FM. This transfer brought all its maintenance and facilities management activities into one subsidiary. The transfer completed on 30 June 2021 and came into effect on 1 July 2021.

In addition to the maintenance and facilities management activities, Centigen FM operates the TwoCan estate agency.

Supporting communities

The wider role of the Group in its communities has never been more important. While the pandemic restricted its ability to run schemes such as its Helping Hands programme, which enables colleagues to volunteer at local organisations during work hours and other events such as its ever-popular holiday club for local children, the Group continued to step up and provide support wherever possible.

In September it ran a Good Neighbour Award to highlight and celebrate the unsung heroes in local communities and recognise the efforts they had made to make life better for those around them. The Group also worked with local foodbanks to provide free additional storage space to house donations before they were distributed to families across the Forest of Dean.

While its neighbourhood housing team could not make home visits, they made twice weekly phone calls to its most vulnerable and at-risk tenants providing a much-needed sense of security and tackling loneliness and isolation brought on by the pandemic.

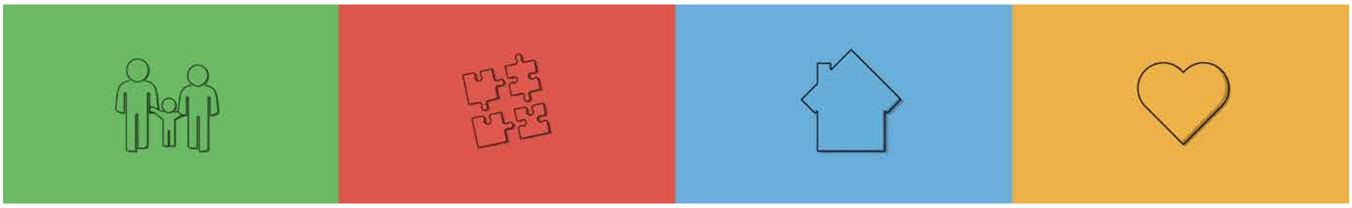
The Group also made its employee wellbeing service available to tenants free of charge during the first national lockdown. This service, run by Life & Progress, enabled tenants to seek professional advice and help on all manner of subjects including, debt, mental health and work-related issues, 24 hours a day, seven days a week.

And in January 2021, the Group made £30,000 of grants available to local charities and community groups from the Two Rivers Initiatives Fund. The funds were made available to help support the countless local organisations that have supported so many people during the pandemic. The successful applicants will be notified in the first quarter of 2021/2022 and a further £60,000 will be made available during the rest of the year.

In 2020, the Group reviewed and adjusted its strategic priorities in order to further focus in on the key areas that underpin the organisation'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.

Organisation plan objectives 2021/2022

In the 2021/2022 financial year, Two Rivers Housing has set the following core objectives under each of its strategic priorities:



Our Customers

- Achieve 88% overall customer satisfaction (STAR Survey).
- Achieve 87% satisfaction with regard to having a safe and secure home (STAR Survey).
- Achieve 86% satisfaction with regard to Two Rivers Housing being easy to deal with (STAR Survey).

Our People

- Remain an excellent employer in the eyes of an accrediting organisation.
- Percentage of voluntary leavers to be less than 6% of employees.
- 90% completion of mandatory training.

Our Homes

- Achieve 86% satisfaction with regard to the quality of homes (STAR Survey).
- Achieve 100% SAP rating of band D or above.
- To deliver 100 new homes (three-year average).
- To agree and articulate the Group's carbon reduction targets for the coming years.

Our Corporate Health

- Achieve an EBITDA MRI operating margin in excess of 31.6%.
- Management cost per property to be held at £1,203 per property.
- 100% landlord compliance for the year.
- Achieve regulatory judgement of G1 for Governance and V2 or above for Viability.

Operating and financial review

The Group Board is pleased to report a Group surplus for the year of £4.2m (2020: £3.3m) and an Association surplus for the year of £4.3m (2020: £3.4m) in what has been another successful year for Two Rivers Housing, despite the challenging conditions arising from the COVID-19 pandemic.

The total comprehensive income for the year for the Group is £2.9m (2020: £5.1m) and at an Association level is £3.0m (2020: £5.2m).

Strategic report continued

Throughout 2020/2021, Two Rivers Housing has continued to invest in its existing stock in order to ensure its homes meet and exceed the Decent Homes Standard and improve the Energy Performance Certificate rating of older properties. Major repairs investment has been limited due to COVID-19 restrictions being in place, which has impacted the kitchen, bathroom and rewire programmes. Notwithstanding this, £1.65m of investment was achieved for the year (2020: £2.9m).

Further investment was made in its commitment to provide 1,000 new affordable homes by 2028. The development sector was shut down during the first national lockdown, which in turn saw delays to completions and the start of work at some sites. In the last financial year, Two Rivers Housing invested £7.4m (2020: £20.1m). This enabled the delivery of 84 new homes for the year, with an average delivery of 109 homes per year over the last three years, ahead of the annual target of 100 per year.

Many of the Association's core services were also disrupted during the year, which made it necessary to furlough some members of the team. The Group made ongoing assessments of the situation and available advice from government, which enabled the leadership team to bring services back online and reinstate furloughed colleagues at the earliest available opportunity.

At 31 March 2021, the Association had started work to reinstate all of its core services, this will continue in line with the government's road map and advice over the coming months. The full repairs service was operational by 12 April 2021 and the planned maintenance programme is now being brought back online initially focussing on the external works programme with internal works due to recommence later in the year. Further to this, the Association hopes to have re-opened its head office, as well as the communal facilities in its HomePlus schemes by 19 July 2021.

The Group is seeking to harness the benefits from the changes forced by the pandemic, particularly when it comes to the improved flexibility and additional health and wellbeing benefits a more agile working approach has brought to colleagues. In June 2021, a draft Agile Working Policy was approved for consultation with colleagues. This will be undertaken in the first half of 2021/2022.

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 organisation to identify areas for improvement and take corrective action where necessary.

The following results were achieved in 2020/2021:

	2021	2021 Target	2020	2019	Top Quartile (i4H) 2021
Operational indicators					
Rent collected %	**100.36%**	99.95%	99.73%	99.98%	98.99%
Rent lost due to voids %*	**0.98%**	1.00%	0.85%	0.64%	0.85%
Decent Homes Standard % compliance	**100%**	100%	100%	100%	100%
Valid gas certificate % compliance	**99.9%**	100%	100%	100%	100%
Current tenant arrears %	**1.07%**	1.65%	1.49%	1.27%	2.47%
Average re-let time (days)	**33.9**	15.0	16.7	19.9	23.6
Routine repairs completed on time (%)	**92%**	97%	91%	91%	-
Customer satisfaction (%)	**86%**	88%	87%	86%	85.2%

*in 2020/2021, the underlying rent lost due to voids (excluding Johnstone Close, a scheme earmarked for regeneration), was 0.92% (2019/2020 0.58%).

Strategic report continued

Management of arrears remains strong, particularly given the potential impact the pandemic could have had on tenant's ability to pay rent. As the government's furlough scheme comes to an end and the country enters a period of recovery there may yet be further financial difficulty to come. However, the hard work of the Association's income collection and debt, welfare and benefits teams saw the Group return its lowest ever arrears figures at just 1.07%.

Work continues on improving the performance of the Group's repairs service. Many of the recommendations from the independent repairs review that were due to be implemented in 2020/2021, were delayed as the Group adjusted its priorities in light of the pandemic. Work on the implementation of these recommendations restarted in the second half of 2020/2021 and will continue over the coming months.

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

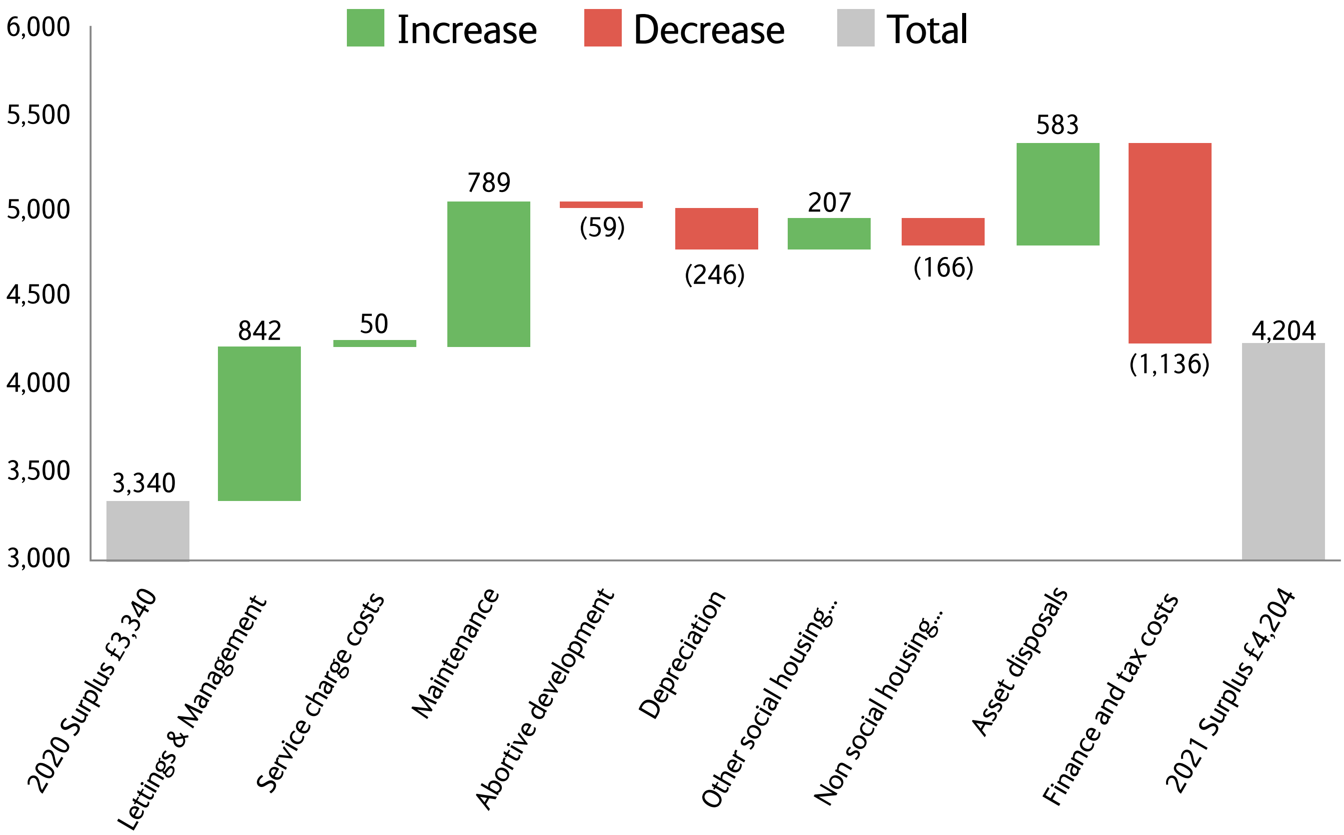
Two Rivers Housing continues to assess its existing property assets to ensure they remain fit for purpose and identify any that may require alternative approaches to safeguard future local housing requirements.

Financial performance

The Group made a surplus for the year ended 31 March 2021 of £4.2m after tax compared to £3.3m in 2020.

In overall terms, Two Rivers Housing has delivered a strong operational performance and has delivered a surplus well in excess of the budgeted £2.8m, which was prepared on a very prudent basis in the midst of the pandemic where there was a high level of uncertainty. Relative to the budget, lower repairs and management costs combined with lower bad debt and depreciation costs have been incurred driving the £1.4m favourable variance.

The key movements in delivering the 2021 results relative to 2020 are presented in the chart below:



Surplus 2021 vs 2020

Overall a surplus of £6.2m has been generated from social housing lettings relative to £4.8m in 2020.

The key drivers of the positive variance relative to 2019/2020 include:

- Social housing turnover increasing by £0.9m. This was generated from additional properties in management driven by the high number of newly developed properties delivered in 2020 and a rent increase being applied for the first time since 2016.
- Management costs have remained relatively in line with 2020 and are £0.6m lower than the allocated budget resulting in a reduction in the management cost per property from £1,155 to £1,130.
- Maintenance costs have reduced by £0.8m overall, the majority of this relates to major repair expenditure being hindered by restrictions on internal works during the pandemic.
- There has been an increase in surplus generated from other social housing activities with higher surpluses generated from first tranche sales.
- Other asset disposals have generated nearly £0.6m of surpluses.
- Finance costs have increased generally due to the refinancing project, which secured additional funding to support the strategic development growth. £0.2m loan fees have been written off following the repayment of a proportion of the existing facility.
- Despite a growing proportion of its customers being on Universal Credit, tenant rent arrears remain exceptionally low. The bad debt provision has however been reviewed and increased, due to the future uncertainty of the economic situation post restrictions being lifted and the withdrawal of the furlough support scheme. Notwithstanding this, the bad debt costs are substantially lower than the £0.5m that had been anticipated.

In summary, Two Rivers Housing has delivered a strong operational performance despite the challenges brought on by the pandemic.

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.

The organisation is fully committed to the delivery of VFM for our customers, seeking an appropriate balance between cost, performance and customer satisfaction. Value for Money is embedded into its organisation plan, which sets out what it plans to do and how it intends to deliver it, captured across four organisation priorities – Our Customers, Our Homes, Our People and Our Corporate Health. The strategic objectives are summarised on page 16.

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

The Value for Money Strategy was revised in July 2021 to reflect the updated organisation priorities. It provides the framework and approach that ensures that, in meeting the organisation objectives, VFM is delivered strategically across the organisation and it is integral to Strategic Priority Four – Our Corporate Health.

Strategic report continued

The strategy identifies five key principles to support and embed VFM thinking and action as well as to ensure that the use of the Group's resources fully support its vision.

1. Doing the right things.
2. Doing things economically.
3. Maximising the return from our people.
4. Maximising the return from our assets.
5. Achieving outcomes that are right and sustainable.

The key objectives of the strategy are to:

- Generate optimal outcomes for the Group, tenants, customers and communities.
- Create efficiencies in the way the Group operates.
- Utilise profits from commercial activities to provide greater services for tenants.
- Understand its return on assets and use this to assist in the prioritisation of activities against the strategic objectives, making new development decisions based on social and financial return to the Group, its 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.

Key to the delivery and assessment of the delivery of VFM are the benchmarking and procurement activities undertaken.

The year-end position for 2020/2021 was appraised by the Group Audit Committee on 8 July 2021, and approved by the Group Board at its meeting on 29 July 2021. The Group Board confirmed that Two Rivers Housing is compliant with the Regulator's VFM standard.

Assessment of 2020/2021 performance

Value for Money targeted efficiencies are set out in the organisation plan objectives to ensure delivery and performance against these. The most notable of these are detailed below:

Our Customers

- Two Rivers Housing has implemented digital lettings and tenancy sign up processes, which will reduce both the time involved and cost of printing documents.
  - The lettings process is now being delivered digitally, driving internal efficiencies by saving both time and money but also value for the customer as the process is much more expedient, with tenancy agreements being emailed directly to the incoming tenants.
- Its digital offering 'My Account' enables customers to contact the Group directly, thereby reducing call demand and '0800' charges.
- The Group has implemented a new GIS mapping system to ensure it has up to date digital maps for grounds maintenance services and pricing schedules plus accurate mapping locations for all assets.

    - This is delivering process efficiencies at both an administrative and operational level and will lead to service improvements in the longer-term.
    - The project has incorporated the tree survey information, which assists the Group in delivering both health and safety management and maintenance planning for arboriculture services.
- The Challenge & Change Group has moved to hybrid working arrangements and, when government restrictions are lifted, will meet both face to face and virtually, saving both time and money while maximising the opportunity for engagement.
- In 2020, the Group became a member of Tpas to assist with its tenant and community engagement programme. This will allow the Group to tap into best practice in engagement initiatives and access training for its colleagues and tenants. In total, 17 webinars and events have been attended and 10 tenants have become members directly.
- The Group's management of arrears continues to improve ensuring that it collects rent effectively with current tenant arrears at the end of the year at just 1.07% (2020: 1.49%). This enables the Group to maximise the funds available for reinvesting in its existing homes and services.

Our Homes

- The Group is currently implementing the action plan identified through the review of its repairs service, which will improve the service provided to customers, increase productivity and reduce overall costs.
    - The global pandemic has hindered the progression of some of these actions, however the repairs service is now back in full operation following the lifting of restrictions the action plan will continue to progress over the forthcoming year.
- From April 2020, the Group moved to a new materials supplier, which reduced its material purchase prices by 7% and has also increased productivity. A review of the van stocks, combined with a delivery service and 'hub material stores' in locations across its core operational area, has enabled the Group to reduce operative downtime when additional materials are required – improving its ability to deliver 'right first time' repairs and reducing its carbon impact.
- The Group has also completed a data quality exercise on its energy data with records being updated with correct EPC information. This has identified around £250k of savings from the maintenance budgets as the correct EPC information is higher.
- A review of the vehicle fleet has been completed and resulted in the procurement of a new fleet due to be delivered in the second quarter of 2021/2022. The new fleet arrangements will not only reduce fuel usage by approximately £78k, as the vehicles are much more efficient, but will also reduce the Group's annual lease expenditure by around £6.5k per annum. The introduction of newer vehicles will also reduce breakdowns and therefore lost productivity due to vehicles being repaired. Alongside this, the Group anticipates a projected carbon reduction of 19% in comparison to the carbon emissions of the previous fleet.
- The Group continues to deliver against its Development Strategy, which seeks to deliver an average of 100 new homes per annum. In 2020/2021, 84 homes were completed, which equates to an average of 109 over three years. In support of this delivery, the Group has reviewed its financial appraisal criteria, benchmarking this with other providers and making revisions to reflect the new finance arrangements to ensure it remains competitive in the market.

Our People

- The development of a People Strategy that ensures the organisation attracts, retains and develops its team and that they are engaged and motivated to support the delivery of the organisation plan, will result in more effective deployment of colleague related resources.

Strategic report continued

  - The People Strategy was approved by Group Board in March 2021 and enables key activities to support its delivery to be planned in across the next three years. Alongside this, a draft Agile Working Policy has been prepared for consultation to reflect evolving working practices. This will allow the organisation to adapt in a post-pandemic world and harness the learnings and elements valued by its people.
- When the Group closed its offices in late March due to the national lockdown, it switched to virtual meetings and communications via the use of Microsoft Teams. This has enabled the organisation to continue to maintain core operations, where permitted and deliver its key services effectively. As a consequence of remote working the Group has seen a reduction in its travel and subsistence expenditure of approximately £59k but this is offset by an expenditure of around £25k for the provision of some additional allowances while restrictions have been in place. As the organisation moves to a more hybrid way of working, it expects a proportion of these savings to continue.
- The Group reviewed its Performance Incentive Framework, which allows colleagues to be awarded an additional payment of £500 per annum, subject to the delivery of criteria approved by the Group Board. The revised framework seeks to drive colleague engagement through more meaningful, tangible criteria being set, driving ownership of the delivery of the organisation objectives and colleague engagement to ultimately drive service delivery.
- A review of agency services has resulted in 'Preferred Supplier Lists' being developed to ensure that VFM is derived when engaging recruitment agencies. This will generate longer-term savings through lower recruitment costs and enhance the recruitment process.

Our Corporate Health

- The Group undertook a substantial refinancing project and has secured new funding to support the delivery of the organisation plan and ensure it has optimum funding in place to minimise both costs and risks.
  - The funds now available to Two Rivers Housing have increased from £110m to £198m. These new arrangements will ensure that Two Rivers Housing has sufficient funding and liquidity in place for the next five years to support the delivery of the development ambitions and investment in existing homes. It has also allowed the organisation to secure funding at all time low rates and further increase funding capacity by agreeing the new arrangements with its existing funder.
- Simplification of the Group structure to reduce both costs and increase the effectiveness of its governance arrangements.
  - The project to consolidate the maintenance and facilities operations into one subsidiary has progressed. The Group Board approved the business assets transfer of Centigen TRH into Centigen FM and this was completed and came into effect on 1 July 2021. This will generate operational, administrative and governance efficiencies and enable the repayment of the intra-group loan from Centigen FM to Two Rivers Housing over the next five to seven years.
- Implementation of a new internally developed EDRM system.
  - Phase one was delivered in 2019/2020 and is operational, with phase two being deferred to 2021/2022 due to resourcing pressures arising from the pandemic.
- A review of the Group's land-banked open market sale scheme resulted in the decision to sell the land as the location fell outside of its core operational area, as set out in its updated Development Strategy and also due to the uncertainty in the housing market and build costs due to the ongoing pandemic. This has enabled the intra-group loan currently in place to allow the initial purchase of the land to be repaid and a broadly break-even position to be achieved as well as reducing the overall exposure to the housing market.

Strategic report continued

- The Group's insurance contract was retendered in 2020/2021 resulting in the appointment of a new insurance provider. Insurance specialists were engaged to undertake a health check of the insurance cover in place and to support the tender process. The tender resulted in a reduction in renewal premiums of £38,000 and allowed additional insurance to be procured – in particular Cyber Insurance and Director's and Officer's Insurance. This additional insurance has mitigated against the cost of data breaches.
- Looking to the future, a Carbon Zero road map has been created, setting out the journey required to enable Two Rivers Housing to achieve net-zero carbon by 2050. The Group has also identified the future investment required in its existing homes to achieve this. This process has identified a shortfall of approximately £5m across the life of the financial plan, which will be offset by a programme of asset disposals where it has been identified that achieving net-zero carbon for those properties may not be financially viable.
- Performance monitoring software has been developed to provide one source of data for reporting, ensuring consistency of information and enhancing the provision of information across the organisation and to our Board.
- The Governance Improvement Plan has progressed. The plan focuses on three key elements – corporate structure, strong governance and compliance with the NHF Code. It seeks to drive quality improvements through a review of the committee terms of reference, policy document updates, Board appraisals and skills review. The Regulator confirmed the strength of the organisation by confirming its G1/V1 status in December 2020 for the eighteenth consecutive year.
- During the year, the Group identified areas where additional expenditure and investment had been required to support the organisation, its people and its customers. For example, additional resource has been recruited to support the complaints processes and information governance. Additional IT equipment has also been purchased to enable all colleagues to work remotely as well as from the office.

The organisation recognises that in some areas the benchmarking identifies that it incurs higher levels of expenditure. Where this is the case, this is reviewed in more detail to understand the drivers and ensure that action is taken where needed or to satisfy the Group that this is the right thing to do.

Many of the activities above are not necessarily specific to service improvement or generating cost savings, they are however very important in ensuring that Two Rivers Housing continues to improve its service delivery and has an effective, well governed and sustainable organisation for the future.

As a consequence of the impacts and restrictions that have emerged in response to the pandemic, the Board and Leadership Forum revised the organisation objectives to ensure that resources were deployed to key services and manageable given the additional challenges of the circumstances.

This has led to a number of activities being deferred or continuing into 2021/2022.

In addition to the activities detailed on pages 24 to 28, savings delivered through department led initiatives totalled £187,000 with further procurement efficiencies delivered through CHIC of £156,000, demonstrating how VFM is embedded throughout the organisation.

Alongside the VFM activities, social gains have also been generated for residents and communities. The Group has continued to provide welfare, benefit and debt advice to support tenants accessing services and funds to support them and their families and enable them to sustain their tenancy. In total, £938,000 has been secured for tenants during the year through this support and advice.

Performance against Two Rivers Housing specific metrics

Across the four key areas, the Group Board has approved a number of bespoke metrics and targets which seek to demonstrate and underpin how we deliver VFM in a local context. These are in addition to the targets for the seven metrics included in the Value for Money Standard published by the Regulator in 2018

Strategic report continued

The performance against the 2020/2021 targets and the targets approved for 2021/2022, are set out in the table below:

Strategic Priority	Strategic Performance Indicator	2020/2021 target	2020/2021 achievement	2021/2022 target
Our Customers	% Overall tenant satisfaction (STAR)	88%	86%	88%
	% Safe & secure home (STAR)	86%	90%	87%
	% Easy to deal with (STAR)	80%	85%	86%
Our Homes	% Quality of home (STAR)	86%	83%	86%
	Average SAP rating	100% SAP Level D or above	94% SAP Level D or above	100% SAP Level D or above
	Overall growth of stock	100pa (three-year average)	2021: 84 (109 three-year average)	100pa (three-year average)
	Carbon reduction target	N/A	N/A	TBC in 21/22
Our People	% Voluntary leavers	6%	5.64%	8%
	Completion of mandatory training	N/A	N/A	90%
	Current employee accreditation	IIP Gold	IIP Gold	IIP Gold
Our Corporate Health	Operating margin (EBITDA MRI)	26.8%	41.4%	31.6%
	Management cost per property	£1,155	£1,130	£1,203
	Bad debt as a % of turnover	3.0%	1.07%	N/A
	Landlord compliance (five areas)	100%	99.7%	100%
	Regulatory judgement (G/V)	G1/V2	G1/V1	G1/V2 or above
	Percentage of attendance at Board meetings	80%	97%	N/A

Areas where performance has fallen short of the target for the year are as follows:

- Overall customer satisfaction was 86%, lower than the 88% target and a reduction of 1% relative to the previous year. Given the impact of the pandemic on both Two Rivers Housing services and the external environment this is a reasonable result and in line with the sector based on the 2019/2020 benchmarking data. Our benchmarking provider has indicated that a downturn in satisfaction is reflected across the sector.
- The shortfall in relation to the average SAP rating and landlord compliance are areas where restrictions and shielding practices in place due to the pandemic have limited the ability for key activities to progress as they would have in normal circumstances. Achieving net-zero carbon is a key focus for Two Rivers Housing and so this area of underperformance will be addressed via our investment strategy.

Value for Money sector metrics

The table below details Two Rivers Housing's performance against the sector metrics and is benchmarked against information extracted from the 2020 Global Accounts Annex.

	Two Rivers Housing			Whole sector (Median)	Placeshapers (Median)
	2021	2020	2019	2020	2020
Reinvestment	**5.6%**	15.8%	13.2%	7.2%	7.3%
New supply delivered % (social housing)	**1.98%**	4.5%	1.40%	1.50%	1.47%
New supply delivered % (non-social housing)	**-**	-	-	-	-
Gearing	**55.3%**	58.7%	57.8%	44%	44.1%
EBITDA MRI / interest cover %	**224.2%**	192.7%	214.8%	170%	179%
Headline social housing cost per unit	**2,970**	3,486	3,336	3,834	3,637
Operating margin % – social housing	**28.3%**	23.1%	26.1%	25.7%	26.0%
Operating margin % – overall	**28.8%**	24.7%	27.5%	23.1%	23.9%
Return on capital employed	**4.8%**	3.8%	4.5%	3.4%	3.4%

Better than Prior Year Sector Median	Worse than Prior Year 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 that, while there has been a decline in the position year on year, with 2021 performance sitting below the sector median for 2020, Two Rivers Housing outperforms its peer group based on the benchmarking analysis. This reflects its continued focus on investing and adding to the supply of social housing.

New supply delivered

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

New supply continues to increase with the delivery of 84 new homes in the year and a three-year average of 109 units per year. While 2021 performance is much lower than in 2020, the percentage of new social housing being delivered is ahead of the sector median for 2020 and equal to the median position of the benchmarking group.

It is acknowledged that a variety of drivers affect delivery – developer and planning delays, legal issues and programme delivery spanning multiple financial years, can all have an impact on delivery. Given the impact of the initial lockdown restrictions being in place, it is not unexpected that there is a shortfall relative to the target but the pipeline of development looking forward remains healthy.

Following the disposal of the land-banked open market scheme, Two Rivers Housing no longer has any planned supply of non-social housing.

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.

During the year, the refinancing resulted in the repayment of a proportion of the existing banking facility which has resulted in a small reduction in the gearing ratio. Two Rivers Housing's gearing ratio does however remain higher than the averages for the sector as a whole, PlaceShapers and the benchmarking group but is indicative of Two Rivers Housing having geared up to develop more units and relative to the low historical cost on transfer.

It is not uncommon for LSVT providers, and those that are developing, to be more highly geared. 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 (as was the case with Two Rivers Housing) due to the level of work that was required to be carried out being reflected in the purchase price, 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.

Overall, a high gearing ratio can be offset against high new delivery performance which is consistent with the strategic objectives of Two Rivers Housing.

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.

There has been an improving performance for EBITDA MRI interest cover as a result of reduced repairs costs for Two Rivers Housing. Performance against this metric is ahead of the sector average and both the PlaceShapers and benchmarking peer group.

Additional funding has been secured to fund the substantial development pipeline and continued investment in existing homes result in the forecast position being lower, but in line with the tolerances set by the Board.

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 homes.

Two Rivers Housing's cost per unit compares positively against the sector median and PlaceShapers and, relative to the benchmark peer group, Two Rivers Housing is placed at upper quartile performance. The largest driver of this is the reduction in repairs expenditure in the year due to a substantial part of the major works investment being deferred as a result of the pandemic restrictions. The reduction in repairs expenditure is reflective of the sector position.

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. Increasing margins are an indicator of the improving financial efficiency of a business but this has to be balanced against the registered provider's core purpose and objectives.

Strategic report continued

Two Rivers Housing's performance against this metric has moved ahead of the sector median, moving to upper quartile relative to the benchmark peer group.

In terms of the social housing operating margin, Two Rivers Housing is at the median relative to the benchmark peer group and performs well relative to the sector and PlaceShaper median for 2020.

Two Rivers Housing understands that housing management costs are high due to higher expenditure incurred in supporting our communities through debt and welfare advisory services, managing anti-social behaviour, intensive housing management of our sheltered homes and maintaining the quality, and investing in the safety of our homes. We recognise that our rents are approximately 10% lower than our peers operating in the south west and West Midlands due to restrictions on rent harmonisation and that this has had a substantial impact on our social housing lettings surplus and operating margins overall, however this is key to the provision of 'affordable housing'.

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 the assets of an organisation were acquired in historic cost terms as this can greatly affect the denominator.

Performance against this metric has improved and is now ahead of the sector and PlaceShaper's median for 2020 and is in the upper quartile relative to the benchmarking national position.

The Board is satisfied with the Group's continued performance delivered against the backdrop of managing operations during the pandemic.

2021/2022 Value for Money activities

Value for Money targeted efficiencies for delivery in 2021/2022 are set out in the organisation plan approved by the Group Board. These predominantly focus on delivering efficiencies, which will ultimately improve the quality of the Group's services and reduce costs.

The most notable of these include:

Our Customers

- A VFM review of grounds maintenance to ensure that the service is cost-effective and efficient, meets the needs and expectations of local communities and can demonstrate VFM in relation to service charge costs.
- To commence a review of service charge processes, assessing the current processes in relation to all service charge calculations and key responsibilities.
- Work will continue on developing digital services such as, lettings, tenancy sign up and development of the 'My Account' portal.
- The development of a Customer and Co-regulatory Strategy to ensure that the organisation remains customer focussed and has a strategic approach and culture to best serve its customers and meet the demands of the evolving regulatory requirements.

Our Homes

- To continue the progression of the repairs action plan, the development of the KPI framework and bedding in the change of working practices associated with the new suppliers.
- Net-zero carbon – progression of the 2020-2023 energy stock investment works seeking to reduce fuel poverty, reduce carbon emissions and achieve a minimum energy efficiency standard of SAP D across the portfolio, while meeting the

current demands in property standards.

- Delivery of the pilot scheme to undertake a wholesale retrofit on an agreed sample of homes as part of the Social Housing Decarbonisation Fund bid, which enabled the Group to access grant funding for 50% of the investment required.
- Appraisal of the non-traditional stock to assess its future fitness for purpose and develop an action plan to be progressed.
- Ensure that all future Two Rivers Housing developments are Carbon Zero ready and comply with the proposed Future Homes Standard (2025) and interim measures (2022).
- Review of the Asset Management Strategy to ensure it has a robust and up to date framework to manage its assets and demonstrate compliance with required standards.

Our People

- To develop a Learning and Development Strategy that will deliver an ongoing and evolving learning and development culture for its people.
- To develop a Wellbeing Strategy to ensure it provides a working culture, which ensures the health and wellbeing of colleagues is considered.
- To deliver an Agile Working Policy, which provides opportunities for colleagues to work more flexibly to attract a more diverse workforce and support a work life balance culture. In rolling out the new policy, the Group will develop the way it works to become outcome led.
- To continue its Management Development Programme by investing in aspiring management cohorts to ensure it develops the organisation's capability.

Our Corporate Health

- To review the Health and Safety Strategy to understand the current approach and assess key priorities for 2021/2022.
- To implement the IT Infrastructure Strategy to ensure that it is kept up to date and able to deliver the systems and applications necessary for the organisation to operate effectively.
- To develop a Procurement Plan, which will consolidate group procurement activities to enable line of sight, review of appropriate procurement route and aligning procurement with other organisation priorities such as local investment, environmental, community and skills development.
- To progress the activities required to enable Two Rivers Housing to adopt the 2020 NHF Code of Governance from April 2022.
- To continue the Governance Improvement Plan to ensure the Group's readiness for its next Regulatory In-Depth Assessment.
- To review the Business Continuity Plan to ensure it has an effective recovery plan in place and that the learnings from the pandemic are captured.
- To tender the support contract for the finance system and develop automated processes for reporting and progress the implementation of an automated workflow systems ready for 2022/2023.
- To explore further options to optimise the cost of funding and maximise growth capacity.

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 and Expenditure Account £'000	**Actual 2021**	Target 2022	Target 2023	Target 2024	Target 2025	Target 2026
Turnover	**28,057**	26,323	26,476	29,001	28,926	28,864
Operating costs	**(19,976)**	(20,811)	(21,068)	(22,800)	(22,613)	(22,212)
Surplus/(deficit) on disposal of fixed assets	**596**	414	413	50	-	3
Operating Surplus	**8,677**	5,926	5,821	6,206	6,313	6,655
Transfer to reserves	**4,340**	1,429	1,365	1,902	1,901	1,464

	Actual 2021	Target 2022	Target 2023	Target 2024	Target 2025	Target 2026
Reinvestment	**5.6%**	12.5%	9.6%	6.2%	4.6%	8.0%
New supply delivered %						
- Social housing	**2.0%**	2.3%	2.9%	2.3%	1.7%	2.0%
- Non-social housing	**-**	-	-	-	-	-
Gearing	**55.3%**	60.6%	62.6%	62.5%	62.4%	64.6%
EBITDA MRI/interest cover %	**224.2%**	152.9%	144.7%	162.5%	169.3%	163.5%
Headline social housing cost per unit	**2,970**	3,448	3,457	3,536	3,592	3,523
Operating margin % – social housing	**28.3%**	20.7%	21.8%	22.5%	22.9%	23.7%
Operating margin % – overall	**28.8%**	20.9%	20.4%	21.4%	21.8%	23.0%
Return on capital employed	**4.8%**	2.6%	2.6%	2.8%	2.8%	2.5%

The General Data Protection Regulation (GDPR) and UK Data Protection Act 2018

The General Data Protection Regulation came into effect on the 25 May 2018 and applies to personal data companies hold or process relating to EU citizens. While the UK is no longer a part of the EU the data protection legislation remains broadly equivalent to GDPR. Its overall goal is to safeguard personal data and enforce data security rights and protections. 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 it securely and only retaining it while there is valid reason to do so. The Group has recently recruited an Information Governance Officer to support compliance with the regulations.

Accounting policies

The principal accounting policies are set out in note one to the financial statements on pages 48 to 54.

Risk management

Two Rivers Housing has a comprehensive risk management framework.

During 2020/2021, the Group Board and management undertook a detailed review and update of the risk management framework, strategy, policy and risk appetite. The framework has subsequently been reviewed externally by our risk advisors who have provided substantial assurance.

The Group Board has assessed the risk appetite against the findings reported in the Sector Risk Profile published by the Regulator updating the risk appetite with a clear level of risk being assigned to business activities.

The Board keeps the risk appetite of the Group under review in the context of these and other strategic risks, alongside how the organisation can meet its core purpose and organisation objectives, while also fulfilling its co-regulatory responsibilities. This is facilitated using metrics to enable the Boards and committees to assess whether performance remains within the risk appetite parameters.

In addition to the review of the risk management, a horizon scanning workshop was held with the Leadership Forum and Board members to capture any areas that should be kept under review, and this is considered at each meeting of the Group Audit Committee.

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.

A programme of deep dives into the top risks has commenced, to provide greater scrutiny and to validate that the controls and assurance are in place.

In response to the COVID-19 pandemic, a COVID-19 Assurance Framework was approved by the Group Board to provide assurance that there were mechanisms in place to alert the Group Board should issues arise during this period of uncertainty.

The framework detailed key areas considered most at risk from the pandemic to be monitored such as, landlord compliance, supply chain, rent arrears, emergency repairs backlog and staff sickness. Since its implementation the Board and leadership team have regularly reviewed these areas and fortunately the risks have not emerged. This assurance framework has now been withdrawn as the risks have not materialised.

The organisation plan was revised during the year to ensure that key objectives for 2020/2021 were deliverable given the anticipated impact of COVID-19 both operationally and financially. Both the budget and long-term financial plan were also revised to reflect the impact of the pandemic based on assumptions provided by advisors.

These revisions reflected a greater exposure arising from bad debts and void rent losses and maintenance, facilities management and management costs amended based on the anticipated impact and given resources available. The actual impact has fortunately been less severe than anticipated.

Stress testing has been undertaken and specific actions have been identified should any major risk exposures crystallise through 2021/2022, which would permit corrective action to be undertaken leaving the organisation in a sustainable position. The Group Board continues to monitor the risk and exposures that may arise following the departure of the UK from the European Union and the Corporate Director – Resources reports to the Group Audit Committee and the Group Board on the effectiveness of the internal control environment.

In addition to the top five risks set out on page 36, Two Rivers Housing is very aware of the growing risk in relation to cyber security particularly with remote working, as well as the increasing use of digital platforms and applications. To protect its information assets and systems, a wide range of security controls and appropriate measures are in place. There is a significant IT Policy and Information Governance function in place and staff are trained and regularly updated on data protection and cyber security subjects. Specifically, Two Rivers Housing meets the Cyber Essentials government certificate for cyber security and has substantial technical and organisation measures in place to manage and reduce cyber risks as well as holding Cyber Insurance.

Strategic report continued

The top five risks for the organisation are detailed below:

Strategic risk	Controls and actions
1. Repairs and Maintenance Failure to provide a repairs and maintenance service that meets national and local standards within agreed resources.	■ Effective procurement for key works programmes with regular meetings with contractors to discuss performance. ■ New materials supplier in place with regular review of van stocks to mitigate against supply issues. ■ Repairs review completed in 2019/2020 with action plan identified for delivery in 2021/2022. ■ STAR survey to monitor satisfaction with the service. ■ Insurance in place, with an appropriate level of excess, to cover the organisation.
2. Quality homes/Asset Management Failure to provide quality accommodation that meets national and local standards, including Decent Homes Standards, within the agreed resources while delivering against the Carbon Zero agenda.	■ Asset management strategy in place with regular reviews to ensure changes in requirements are captured. ■ Stock condition survey (five years) with external validation of stock condition database. ■ Disposals strategy in place. ■ Decarbonisation pilot project underway to provide key information on how our older properties are currently performing and the most effective ways to make improvements.
3. Value for Money Failure to ensure that optimal benefit is derived from resources and assets.	■ Strategy for re-procurement of large contracts and periodic checks on existing contracts. ■ Use of CHIC procurement consortium. ■ Contract management arrangements in place. ■ Benchmarking of costs and service quality. ■ Monitoring of performance against budget and VFM metrics.
4. Health and safety Failure to meet the health and safety obligations as a landlord, employer, developer and provider of services within agreed resources.	■ Specialist team in place with subject experts embedded across the business. ■ Oversight of activity by Board, Leadership Forum and Health and Safety Working Group. ■ Regular monitoring and reporting via Health and Safety Dashboard. ■ Management plans in place for key risk areas e.g. fire, asbestos, etc. ■ Independent deep dive audit across all areas of landlord compliance undertaken in 2018/2019.
5. Legislative/Regulatory compliance Failure to meet the legislative/ regulatory requirements.	■ Monitoring of changing requirements through subscription to legal update and review by management. ■ Use of legal advisors to support decisions. ■ Monitoring by Board with horizon scanning workshop held to consider emerging issues.

Treasury management

Two Rivers Housing has a formal Treasury Management Policy, agreed by the Group Board and reviewed regularly. The purpose of the policy is to establish the framework within which risk, arising from its borrowings and cash holdings, is controlled.

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 not to trade in financial instruments.

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 2019/2020, 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 Group Board in December 2019. The approved strategy sought 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 2026.

The refinancing project delivered during 2020/2021 has resulted in new funding being secured in the form of a £80m private placement and a £50m revolving credit facility, allowing a partial repayment of the existing bank loan. This has increased the funding available from £110m at the end of 2019/2020 to £197.85m.

The main risk arising from the Group's financial instruments is liquidity risk. 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 organisation.

As at the 31 March 2021, the Group has funding in place in the form of a fully drawn bank loan, with phased repayments over the next 16 years, an £80m private placement, with £40m drawn and a further £40m to be drawn in July 2021. In addition to this, there is an undrawn five-year £50m revolving credit facility. In total, at 31 March 2021, borrowings stood at £107.9m (2020: £110.3m) with 100% of borrowing at fixed rates. These rates range from 2.45% for the private placement to 6.18% for the older loans.

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

Cash flow

Cash inflows and outflows for the year ended 31 March 2021 are set out in the cash flow statement on page 48.

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 £15.4m (2020: £13.3m). After investing and financing activities cash and bank balances for the year ended 31 March 2021 stood at £17.9m (2020: £16.7m), an increase of £1.2m during the year.

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. Liquid funds equal to forecast net cash outflow for three months (subject to a minimum of £5m), made up of sufficient operational liquidity to meet the next four weeks' forecast gross cash outflow.

ii. Medium-term funding equal to forecast net cash outflow for six months.

iii. Long-term funding equal to forecast net cash outflow.

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

The review of the strategy and funding requirement of the Group has resulted in a diversification of the funding portfolio. The completion of the refinancing exercise has resulted in additional funding being secured 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. The impact of COVID-19 necessitated a further review and amendment of the financial plan to incorporate the anticipated short-term impact in 2020/2021 and this continues be monitored.

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

Chair

Statement of the Board responsibilities

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

Company law requires the Group 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 Group 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,
- 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 Group 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 2020. 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 Group 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 Group Board on 29 July 2021 and signed on its behalf by:

Yvonne Leishman

Chair

Independent Auditor's report to the members of Two Rivers Housing

Opinion

We have audited the financial statements of Two Rivers Housing Limited (the 'Parent Association') and its subsidiary undertakings (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 and the Parent Association's statements of changes in reserves, the Group statement of cash flows 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group’s and Two Rivers Housing’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board members with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor’s report thereon. The Board members are responsible for the other information contained within the annual report. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- the Parent Association has not kept proper books of account; or,
- a satisfactory system of control over transactions has not been maintained; or,
- the financial statements are not in agreement with the books of account; or,
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Statement of the Board’s Responsibilities set out on page 39, 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 the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Group and the Parent Association, and its sector, we identified that the principal risks of non-compliance with laws and regulations related to employment and health and safety regulations, and implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

We evaluated the Board's and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to capitalisation of works to existing properties, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the Board and management their policies and procedures regarding compliance with laws and regulations.
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and,
- considering the risk of acts by the Group and the Parent Association which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Board and management on whether they had knowledge of any actual, suspected or alleged fraud.
- Gaining an understanding of the internal controls established to mitigate risks related to fraud.
- Discussing amongst the engagement team the risks of fraud; and,
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

Independent Auditor's report continued

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the Association's members as a body in accordance 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.

Richard Bott

Richard Bott
(Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street,
Birmingham
B3 2RT
Date: 8 September 2021

Statement of comprehensive income

	Note	Group		Association	
		2021	2020	**2021**	2020
		£'000	£'000	**£'000**	£'000
Turnover	3	**28,057**	26,933	**26,582**	26,968
Cost of sales	3	**(2,653)**	(4,150)	**(2,653)**	(4,150)
Operating expenditure	3	**(17,324)**	(16,120)	**(15,789)**	(16,110)
Surplus on disposal of property, plant and equipment	4	**596**	13	**597**	13
Operating surplus	3	**8,676**	6,676	**8,737**	6,721
Interest receivable	5	**18**	181	**58**	231
Interest and financing costs	6	**(4,506)**	(3,517)	**(4,506)**	(3,547)
Surplus before tax	7	**4,188**	3,340	**4,289**	3,405
Taxation	10	**16**	-	**-**	-
Surplus for the year		**4,204**	3,340	**4,289**	3,405
Actuarial gain /(loss) in respect of pension scheme	19	**(1,261)**	1,784	**(1,261)**	1,784
Total comprehensive income for the year		**2,943**	5,124	**3,028**	5,189

Statement of financial position

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Fixed assets				
Housing properties	**162,279**	159,533	**162,475**	159,725
Other tangible fixed assets	**3,840**	3,979	**3,830**	3,962
Intangible assets	**43**	66	**43**	66
Investment properties	**290**	290	**290**	290
	166,452	163,868	**166,638**	164,043
Current assets				
Properties held for sale	**1,925**	3,072	**1,925**	3,072
Inventories	**58**	1,191	**58**	5
Debtors	**589**	1,153	**1,442**	3,125
Cash and cash equivalents	**17,892**	16,675	**16,960**	16,189
	20,464	22,091	**20,385**	22,391
Creditors: amounts falling due within one year	**(4,648)**	(8,979)	**(4,231)**	(9,015)
Net current assets	**15,816**	13,112	**16,154**	13,376
Total assets less current liabilities	**182,268**	176,980	**182,792**	177,419
Creditors: amounts falling due after more than one year	**(127,475)**	(126,489)	**(127,475)**	(126,489)
Defined benefit pension liability	**(2,039)**	(680)	**(2,039)**	(680)
Net assets	**52,754**	49,811	**53,278**	50,250
Capital and reserves				
Revenue reserve	**52,754**	49,811	**53,278**	50,250
Total reserves	52,754	49,811	53,278	50,250

The notes on pages 48 to 83 form part of these financial statements. The financial statements were approved by the Board on 29 July 2021 and signed on its behalf by:

Miss Yvonne Leishman
Chairman

Rita Jones
Board Member

Mr Garry King
Chief Executive and Secretary

Registered number: 04263691

Statement of changes to reserves

	Group		Association	
	Revenue reserve	Total	**Revenue reserve**	Total
	£'000	£'000	**£'000**	£'000
At 31 March 2019	**44,687**	44,687	**45,061**	45,061
Surplus for the year	**3,340**	3,340	**3,405**	3,405
Actuarial gain in respect of pension schemes	**1,784**	1,784	**1,784**	1,784
At 31 March 2020	**49,811**	49,811	**50,250**	50,250
Surplus for the year	**4,204**	4,204	**4,289**	4,289
Actuarial (loss) in respect of pension schemes	**(1,261)**	(1,261)	**(1,261)**	(1,261)
At 31 March 2021	**52,754**	52,754	**53,278**	53,278

Consolidated statement of cash flows

	Note	2021 £'000	2020 £'000
Net cash generated from operating activities	21	**15,436**	13,255
Cash flows from investing activities			
Purchase of property, plant and equipment		**(7,711)**	(23,161)
Purchase of investment properties		**-**	-
Purchase of intangible assets		**-**	(24)
Proceeds from sale of property, plant and equipment		**1,036**	1,558
Grants received		**70**	764
Interest received		**18**	181
Net cash flows from investing activities		**(6,587)**	(20,682)
Cash flows from financing activities			
Interest paid		**(4,196)**	(4,358)
New funding		**39,019**	-
Repayment of borrowings		**(42,455)**	(2,745)
Net cash flows from financing activities		**(7,632)**	(7,103)
Net increase/(decrease) in cash and cash equivalents		**1,217**	(14,530)
Cash and cash equivalents at beginning of year	21	**16,675**	31,205
Cash and cash equivalents at end of year	21	**17,892**	16,675

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 4 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 2020. 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 Group's business activities, its current financial position, and factors likely to affect its future development are set out within the report of the board.

The Group has long-term debt facilities in place, which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan, which shows that it can service these debt facilities while continuing to comply with lenders' covenants. As at 31 March 2021, the Group had available cash balances of £17.9m and a further £14.5m of secured but undrawn loan facilities that could be drawn at short notice.

The Board's assessment of going concern involves several subjective judgements including, but not limited to, increased rent arrears, delayed rent collections, increased voids, reduction in property prices and delays in property sales. In making its assessment, the Board has also considered the potential mitigations available to manage the potential impact on the Group's cashflows and liquidity.

A wide-ranging multivariate stress test has been run on the business plan including the normal suite of scenarios that are tested regularly. The multivariate stress test includes the impact of sensitivities on the Association's cash flow requirements, compliance with debt facilities, as well as covenant compliance. Mitigating actions, for instance, delays in non-essential expenditure or staff reductions have been identified for all scenarios. This stress testing found that the business plan is robust and does not affect the Group's ability to meet its obligations.

To date, the Group has not suffered a significant negative financial impact as a result of COVID-19. As part of the going concern assessment and conclusion, the continuing effects of COVID-19 and post Brexit transition have been considered in the Association's forecasts and factored into the stress test carried out, including any mitigation actions that may be required.

As a key provider of affordable housing in the Forest of Dean, the Association will ensure that it continues to keep its tenants safe by maintaining its homes and completing necessary health and safety works, as well as working with its tenants to support them with paying their rent.

1. Accounting policies (continued)

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

The Board has also considered the foreseeable future for its going concern assessment to cover the period to 31 March 2023.

On this basis, the Board continues to adopt the going concern basis in the financial statements.

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.

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 and 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.

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.

1. Accounting policies (continued)

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 a 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.

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.

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.

1. Accounting policies (continued)

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 organisations.

Two Rivers Developments Limited, Centigen Facilities Management Limited and Centigen TRH Facilities Management Limited (which was transferred into Centigen Facilities Management Limited on 1 July 2021), 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.

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 schemes, 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.

1. Accounting policies (continued)

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 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.

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 are 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.

1. Accounting policies (continued)

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 has 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 2020/21 is £zero (2020: £zero).

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 2021 was £43,038k. The carrying amount of the housing properties was £159,533k at the year ended 31 March 2021.

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.

2. Significant management judgements and key sources of estimation uncertainty (continued)

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.

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

2021	Note	Turnover	Cost of sales	Operating expenditure	Surplus on disposal of property, plant and equipment	Operating surplus
		£'000	£'000	£'000	£'000	£'000
Social housing lettings	3a	21,863	-	(15,665)	-	6,198
Other social housing activities						
1st tranche property sales		4,447	(2,653)	-	-	1,794
Surplus on disposal of property, plant and equipment					596	596
Other activities		46	-	-	-	46
Garages		159	-	(124)	-	35
		4,652	(2,653)	(124)	596	2,471
Activities other than social housing activities						
Market rent		16	-	-	-	16
Open market sales		-	-	-	-	-
Other		1,526	-	(1,535)	-	(9)
		1,542	-	(1,535)	-	7
Total		28,057	(2,653)	(17,324)	596	8,676

2020	Note	Turnover	Cost of sales	Operating expenditure	Surplus on disposal of property, plant and equipment	Operating surplus
		£'000	£'000	£'000	£'000	£'000
Social housing lettings	3a	20,915	-	(16,093)	-	4,822
Other social housing activities						-
1st 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
Activities other than social housing activities						
Market rent		16	-	-	-	16
Open market sales		-	-	-	-	-
Other		167	-	(10)	-	157
		183	-	(10)	-	173
Total		26,933	(4,150)	(16,120)	13	6,676

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

2021	Note	Turnover	Cost of sales	Operating expenditure	Surplus on disposal of property, plant and equipment	Operating surplus
		£'000	£'000	£'000	£'000	£'000
Social housing lettings	3a	21,719	-	(15,665)		6,054
Other social housing activities						
1st tranche property sales		4,447	(2,653)	-		1,794
Surplus on disposal of property, plant and equipment					597	597
Other activities		198	-	-		198
Garages		159	-	(124)		35
		4,804	(2,653)	(124)	597	2,624
Activities other than social housing activities						
Market rent		16	-	-		16
Open market sales		-	-	-		-
Other		43	-	-		43
		59	-	-	-	59
Total		26,582	(2,653)	(15,789)	597	8,737

2020	Note	Turnover	Cost of sales	Operating expenditure	Surplus on disposal of property, plant and equipment	Operating surplus
		£'000	£'000	£'000	£'000	£'000
Social housing lettings	3a	20,915	-	(16,093)	-	4,822
Other social housing activities						
1st 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
Activities other than social housing activities						
Market rent		16	-	-	-	16
Open market sales		-	-	-	-	-
Other		33	-	-	-	33
		49	-	-	-	49
Total		26,968	(4,150)	(16,110)	13	6,721

Included within other activities for the Association is £169k gift aid received from subsidiary companies (2020: £163K).

3a. Particulars of income and expenditure from social housing lettings – Group

	General needs housing	Supported housing and housing for older people	Home ownership	**2021 total**	2020 total
	£'000	£'000	£'000	**£'000**	£'000
Income					
Rents receivable	17,325	2,637	692	**20,654**	19,843
Service charge income	154	595	41	**790**	864
Amortised government grant	215	-	-	**215**	208
Other grants	164	29	11	**204**	-
Turnover from social housing lettings	17,858	3,261	744	**21,863**	20,915
Expenditure					
Management	3,866	671	258	**4,795**	4,817
Service charge costs	387	418	26	**831**	881
Routine maintenance	2,253	391	-	**2,644**	2,670
Planned maintenance	1,167	203	-	**1,370**	1,438
Major repairs expenditure	923	160	-	**1,083**	1,778
Bad debts	188	33	13	**234**	106
Abortive development	103	-	-	**103**	44
Depreciation of housing properties	3,721	646	238	**4,605**	4,359
Operating costs	12,608	2,522	535	**15,665**	16,093
Operating surplus social housing lettings	5,250	739	209	**6,198**	4,822
Void losses	146	40	19	**205**	171

4. Surplus on disposal of property, plant and equipment – Group and Association

	2021	2020
	£'000	£'000
Sale of subsequent tranche Shared Ownership properties and other properties	1,061	1,552
Costs of sale	(26)	(39)
Disposals at cost	(439)	(1,500)
Surplus on disposal of property, plant and equipment	596	13

5. Other finance income

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Bank interest receivable	18	181	18	181
Interest due from group companies	-	-	40	50
	18	181	58	231

6. Interest and financing costs

	Note	Group		Association	
		2021	2020	2021	2020
		£'000	£'000	£'000	£'000
Bank loans and overdrafts		4,196	4,358	4,196	4,358
Loan amortisation		353	31	353	31
Unwinding of discounts on provisions		352	(154)	352	(154)
Net interest on defined benefit liability	19	17	55	17	55
		4,918	4,290	4,918	4,290
Interest capitalised		(412)	(773)	(412)	(744)
		4,506	3,517	4,506	3,546

A substantial refinancing project was undertaken during the year which has increased the borrowing facilities from £110m to £197m overall. As part of this exercise a repayment of £42.455m of the existing bank loan was made and included within the loan amortisation charge of £353k is £233k of loan fees written off, following the repayment of a proportion of the existing bank loan facility.

The new £80m private placement has been measured at fair value, net of transaction costs and will subsequently be measured at amortised cost using the effective interest method. The fair value adjustment of the loan facilities in place during the year is £352k (2020: £154k).

Borrowing costs have been capitalised based on a capitalisation rate of 3.73% (2020: 3.73%), which is the weighted average of rates applicable to the Group's general borrowings outstanding during the year.

7. Surplus on ordinary activities before taxation

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

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Depreciation of housing stock	**4,605**	4,359	**4,605**	4,359
Depreciation of property, plant and equipment	**170**	127	**161**	118
Amortisation of intangible assets	**23**	32	**23**	30
Amortised government grants	**(215)**	(208)	**(215)**	(208)
Surplus on disposal of fixed assets	**(596)**	(13)	**(596)**	(13)
Auditors remuneration (excluding VAT)	**28**	28	**19**	19
Fees payable to the company's auditors for other services				
- Other services	**2**	1	**2**	1
- Tax compliance services	**5**	5	**-**	-
Operating lease rentals	**192**	185	**-**	-

8. Employee costs

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Wages and salaries	**4,948**	4,592	**3,372**	3,149
Social security costs	**480**	438	**333**	303
Other pension costs	**359**	363	**305**	311
	5,787	5,393	**4,010**	3,763

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

	2021	2020
Salary Band (£)	**Number**	Number
60,000 – 69,999	**2**	2
70,000 – 79,999	**1**	-
80,000 – 89,999	**-**	-
90,000 – 99,999	**-**	1
100,000 – 109,999	**1**	1
110,000 – 119,999	**1**	-
120,000 – 129,999	**-**	-
130,000 – 139,999	**-**	1
140,000 – 149,999	**1**	1

8. Employee costs (continued)

The average full-time equivalent number of employees was:

	Group		Association	
	2021	2020	**2021**	2020
	Number	Number	**Number**	Number
Average monthly number of employees (including executive directors) expressed as full-time equivalents:				
Administration	**63**	77	**57**	70
Property management	**19**	22	**13**	14
Housing for older people and housing management	**20**	14	**20**	14
Repairs team	**34**	33	**-**	-
Office cleaners	**8**	8	**-**	-
	144	154	**90**	98

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. Director's remuneration and transactions

	2021	2020
Directors who are executive staff members	**£'000**	£'000
Wages and salaries	**440**	362
Social security costs	**50**	44
Other pension costs	**57**	61
	547	467

	2021	2020
Remuneration of the highest paid director, excluding pension contribution	**£'000**	£'000
Emoluments	**146**	137

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. The emoluments for 2020/2021 include a car allowance of £6,000.

9. Director's remuneration and transactions (continued)

Non-executive Board members

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

	2021	2020
Salary Band (£)	**£'000**	£'000
Mr John Bloxsom	**5**	5
Ms Susan Holmes	**5**	4
Mr Neil Sutherland	**5**	5
Mrs Rita Jones	**4**	4
Mr Tim Jackson	**3**	5
Miss Yvonne Leishman	**8**	9
Mr Ted Pearce	**5**	4
Mr Tim Sharpe	**3**	3
Mr Kevin Shaw	**2**	2
	40	41

10. Taxation

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Corporation tax:				
Current tax on surplus for the year	**15**	27	-	-
Adjustments in respect of previous years	**(15)**	(27)		-
	-	-	-	-
Deferred tax	-	-	-	-
Total tax	-	-	-	-
Reconciliation of the total tax charge				
Surplus on ordinary activities before tax	**4,188**	3,340	**4,289**	3,405
Tax charged at standard rate of 19% (2020: 19%)	**796**	635	**815**	647
Effect of:				
Utilisation of tax losses	(15)	(27)	-	-
Surplus arising with charitable status	**(781)**	(608)	**(815)**	(647)
Deferred tax not recognised	-	-	-	-
	-	-	-	-

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
Cost					
At 1 April 2020	179,819	6,435	14,635	1,682	202,571
Additions	-	4,153	-	3,294	7,447
Components capitalised	1,653	-	-	-	1,653
Disposals	(295)	-	(280)	-	(575)
Schemes completed in the year	7,332	(7,332)	1,878	(1,878)	-
Transfer to investment properties	-	-	-	-	-
Transfer to properties held for sale	-	-	-	(1,421)	(1,421)
At 31 March 2021	188,509	3,256	16,233	1,677	209,675
Depreciation					
At 1 April 2020	(41,901)	-	(1,137)	-	(43,038)
Charge for the year	(4,367)	-	(238)	-	(4,605)
Eliminated on disposals	221	-	26	-	247
Tenure changes	-	-	-	-	-
At 31 March 2021	(46,047)	-	(1,349)	-	(47,396)
Net book value					
At 31 March 2021	142,462	3,256	14,884	1,677	162,279
At 31 March 2020	137,918	6,435	13,498	1,682	159,533

All property is freehold. Additions in the year include £412k of capitalised interest and £289k of capitalised development overheads.

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
Cost					
At 1 April 2020	179,819	6,627	14,635	1,682	202,763
Additions	-	4,157	-	3,294	7,451
Components capitalised	1,653	-	-	-	1,653
Disposals	(295)	-	(280)	-	(575)
Schemes completed in the year	7,332	(7,332)	1,878	(1,878)	-
Transfer to investment properties	-	-	-	-	-
Transfer to properties held for sale	-	-	-	(1,421)	(1,421)
At 31 March 2021	188,509	3,452	16,233	1,677	209,871
Depreciation					
At 1 April 2020	(41,901)	-	(1,137)	-	(43,038)
Charge for the year	(4,367)	-	(238)	-	(4,605)
Eliminated on disposals	221	-	26	-	247
Tenure changes	-	-	-	-	-
At 31 March 2021	(46,047)	-	(1,349)	-	(47,396)
Net book value					
At 31 March 2021	142,462	3,452	14,884	1,677	162,475
At 31 March 2020	137,918	6,627	13,498	1,682	159,725

All property is freehold. Additions in the year include £412k of capitalised interest (2020: £744k) and £244k of capitalised development overheads (2020: £285k).

12. Property, plant and equipment – other

Group	Office premises	Computer equipment	Fixtures and fittings	Plant and machinery	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2020	4,748	368	108	229	5,453
Additions	-	31	-	1	32
Disposals	-	(2)	-	(32)	(34)
At 31 March 2021	4,748	397	108	198	5,451
Depreciation					
At 1 April 2020	(832)	(322)	(108)	(212)	(1,474)
Charge for the year	(131)	(30)	-	(9)	(170)
Disposals	-	2	-	31	33
At 31 March 2021	(963)	(350)	(108)	(190)	(1,611)
Net book value					
At 31 March 2021	3,785	47	-	8	3,840
At 31 March 2020	3,916	46	0	17	3,979

Association	Office premises	Computer equipment	Fixtures and fittings	Plant and machinery	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2020	4,748	365	100	78	5,291
Additions	-	29	-	-	29
Disposals	-	-	-	-	-
At 31 March 2021	4,748	394	100	78	5,320
Depreciation					
At 1 April 2020	(832)	(319)	(100)	(78)	(1,329)
Charge for the year	(131)	(30)	-	-	(161)
Disposals	-	-	-	-	-
At 31 March 2021	(963)	(349)	(100)	(78)	(1,490)
Net book value					
At 31 March 2021	3,785	45	-	-	3,830
At 31 March 2020	3,916	46	0	0	3,962

13. Intangible fixed assets

Group	Computer software	Total
	£'000	£'000
Cost		
At 1 April 2020	504	504
Additions	-	-
Disposals	(14)	(14)
As at 31 March 2021	490	490
Amortisation		
At 1 April 2020	(438)	(438)
Charge for the year	(23)	(23)
Eliminated on disposals	14	14
As at 31 March 2021	(447)	(447)
Net book value		
As at 31 March 2021	43	43
As at 31 March 2020	66	66

Association	Computer software	Total
	£'000	£'000
Cost		
At 1 April 2020	490	490
Additions	-	-
Disposals	-	-
As at 31 March 2021	490	490
Amortisation		
At 1 April 2020	(424)	(424)
Charge for the year	(23)	(23)
Eliminated on disposals	-	-
As at 31 March 2021	(447)	(447)
Net book value		
As at 31 March 2021	43	43
As at 31 March 2020	66	66

14. Investments

14a. Investment properties

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'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 (2020: £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 and properties held for sale

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Inventories				
Maintenance stock	**58**	5	**58**	5
Open market sale properties – under construction	-	1,186	-	-
	58	1,191	**58**	5
Properties held for sale				
Shared Ownership 1st tranche sale properties – completed	590	1,491	590	1,491
Shared Ownership 1st tranche sale properties – under construction	1,335	1,581	1,335	1,581
	1,925	3,072	1,925	3,072

16. Debtors

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Rent arrears	**1,060**	942	**1,060**	942
Provision for bad debts	(883)	(646)	(883)	(646)
Trade debtors	19	17	-	-
Amounts owed by Group undertakings	-	-	907	2,028
Other debtors	39	432	34	428
Prepayments and accrued income	354	408	324	373
	589	1,153	1,442	3,125

17. Creditors – amounts falling due within one year

		Group		Association	
	Note	**2021**	2020	**2021**	2020
		£'000	£'000	**£'000**	£'000
Bank loans		-	3,900	-	3,900
Rents received in advance		646	456	646	456
Trade creditors		686	689	585	655
Amounts owed to Group undertakings		-	-	181	220
Corporation tax		-	5	-	-
Other taxation and social security		412	119	100	83
Other creditors		922	1,223	883	1,197
Government grants	18	197	193	197	193
Accruals and deferred income		1,785	2,394	1,639	2,311
		4,648	8,979	4,231	9,015

18. Creditors – amounts falling due after more than one year

		Group		Association	
	Note	**2021**	2020	**2021**	2020
		£'000	£'000	**£'000**	£'000
Bank loans		107,565	106,396	107,565	106,396
Government grants		19,647	19,736	19,647	19,736
Recycled capital grant fund		263	357	263	357
		127,475	126,489	127,475	126,489

The loans are secured on freehold housing properties. Interest is payable at rates ranging from 2.45% to 6.18%.

The total accumulated amount of capital grant received or receivable at the statement of financial position date is £20,107k (2020: £20,286k).

18. Creditors – amounts falling due after more than one year (continued)

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Deferred income – government grants				
At 1 April 2020	19,929	19,468	19,929	19,468
Grants receivable	70	764	70	764
Grant recycled	112	90	112	90
Transfer to RCGF	(18)	(190)	(18)	(190)
Transfer to other creditors	(3)	-	(3)	-
To profit/loss on disposal	(31)	5	(31)	5
Amortisation to statement of comprehensive income	(215)	(208)	(215)	(208)
At 31 March 2021	19,844	19,929	19,844	19,929
Due within one year	197	193	197	193
Due after one year	19,647	19,736	19,647	19,736

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Deferred income – government grants				
Recycled capital grant fund				
At 1 April 2020	357	254	357	254
Inputs to RCGF	18	190	18	190
Recycling of grant	(112)	(90)	(112)	(90)
Interest accrued	-	3	-	3
At 31 March 2021	263	357	263	357

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Bank loans				
Due within one year	-	3,900	-	3,900
Due between one and two years	-	4,297	-	4,297
Due between two and five years	10,500	17,108	10,500	17,108
After five years	97,350	85,000	97,350	85,000
	107,850	106,405	107,850	106,405
Effective interest rate adjustment	344	528	344	682
Less: facility arrangement fee	(629)	(536)	(629)	(568)
Due after one year	107,565	106,397	107,565	106,519
Total borrowings	107,565	110,297	107,565	110,419

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 2021 was £98,000.

Defined benefit schemes

	2021	2020
	£'000	£'000
SHPS BD Scheme	**(540)**	(205)
LGPS DB Scheme	**(1,499)**	(475)
Total liability relating to defined benefit schemes	**(2,039)**	(680)

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 2021 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	
	2021	2020
Key assumptions used:		
Discount rate	**2.0%**	2.3%
Salary Increase rates	**3.15%**	2.2%
Future pension increases (CPI)	**2.85%**	1.9%

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:	21.9 years	24.3 years
Future pensioners:	22.9 years	26.0 years

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 2021	CMI 2018 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.	CMI 2018 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:

	2021	2020
	£'000	£'000
Current service cost	**345**	515
Past service cost	**-**	27
Net interest cost	**13**	41
	358	583
Recognised in other comprehensive income		
Income (OCI)	**858**	(1,421)
Total cost relating to defined benefit scheme	**1,216**	(838)

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:

	2021	2020
	£'000	£'000
Present value of defined benefit obligations	**(19,671)**	(14,865)
Fair value of scheme assets	**18,172**	14,390
Net liability recognised in the statement of financial position	**(1,499)**	(475)

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

	2021	2020
	£'000	£'000
At 1 April	**14,865**	16,804
Service cost	**345**	542
Interest cost	**343**	408
Contributions from scheme participants	**89**	91
Benefits paid	**(318)**	(316)
Actuarial (gains) and losses	**4,347**	(2,664)
At 31 March	**19,671**	14,865

19. Retirement benefit schemes (continued)

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

	2021	2020
	£'000	£'000
At 1 April	14,390	15,283
Interest income	330	367
Contributions from scheme participants	89	91
Contributions from the employer	192	208
Benefits paid	(318)	(316)
Actuarial gains and (losses)	3,489	(1,243)
At 31 March	18,172	14,390

The estimated split of scheme assets at the statement of financial position date was as follows:

	Fair value of assets	
	2021	2020
	%	%
Equity instruments	70	64
Bonds	20	26
Property	7	9
Cash	3	1

Projected pension expense for the year to 31 March 2022

Period ended 31 March 2022	Assets	Obligations	Net (liability)/asset	
	£'000	£'000	£'000	% of Pay
Projected current service cost	-	507	(507)	(47.8%)
Total service cost	-	507	(507)	(47.8%)
Interest income on plan assets	363	-	363	34.2%
Interest cost in defined benefit obligation	-	396	(396)	(37.4%)
Total net interest cost	363	396	(33)	(3.2%)
Total included in statement of comprehensive income	363	903	(540)	(51.0%)

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 £1,060,000.

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 2022 will be approximately £192k.

19. Retirement benefit schemes (continued)

1) Sensitivity

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

Change in assumptions at 31 March 2021	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in real discount rate	11%	2,095
0.5% increase in salary increase rate	1%	278
0.5% increase in the pension increase rate	9%	1,768

2) The Pensions Trust – Social Housing Pension Scheme

The company participates in the Social Housing Pension Scheme (the Scheme), a multi-employer 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 published triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1.522bn. A recovery plan was put in place with the aim of removing this deficit by 30 September 2026. We now await the results of the September 2020 valuation to be confirmed.

In December 2020, the NHF published a briefing note which advised that if experience over the three years to 30 September 2020 had been in line with 2017 expectations, it is estimated that the deficit at the 2020 valuation when measured on a 2017 consistent basis would have fallen to broadly around £1bn. At 2017, the deficit was projected to have been completely extinguished by the end of the current recovery period in March 2026.

However, due to market movements being worse than expected since 2017 (in part but not entirely from the impact of Coronavirus), we are in a downside scenario at this valuation, and the funding level at 30 September 2020 when measured on a 2017 consistent basis is estimated to be broadly around 77%, with a deficit of broadly around £1.5bn.

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 after 31 March 2020, it is now possible to obtain sufficient information to enable the company to account for the scheme as a defined benefit scheme.

19. Retirement benefit schemes (continued)

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

	31 March 2021	31 March 2020
	£'000	£'000
Fair value of plan assets	**2,178**	1,906
Present value of defined benefit obligation	**2,718**	2,111
Surplus (deficit) in plan	**(540)**	(205)
Unrecognised surplus	**-**	-
Defined benefit asset (liability) to be recognised	**(540)**	(205)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2021
	£'000
Defined benefit obligation at start of period	**2,111**
Current service cost	**15**
Expenses	**3**
Interest expense	**50**
Member contributions	**9**
Actuarial losses (gains) due to scheme experience	**(32)**
Actuarial losses (gains) due to changes in demographic assumptions	**9**
Actuarial losses (gains) due to changes in financial assumptions	**602**
Benefits paid and expenses	**(49)**
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	**2,718**

19. Retirement benefit schemes (continued)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT ASSETS

	Period ended 31 March 2021
	£'000
Fair value of plan assets at start of period	1,906
Interest income	46
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	176
Contributions by the employer	90
Contributions by plan participants	9
Benefits paid and expenses	(49)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	2,178

The actual return on the plan assets (including any changes in share of assets) over the period from 31 March 2020 to 31 March 2021 was £222k.

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCI)

	Period from 31 March 2020 to 31 March 2021
	£'000
Current service cost	15
Expenses	3
Net interest expense	4
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)	22

19. Retirement benefit schemes (continued)

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2021
	£'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	176
Experience gains and losses arising on the plan liabilities - gain (loss)	32
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(9)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(602)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(403)
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)	(403)

ASSETS	Period ended 31 March 2021
	£'000
Global equity	347
Absolute return	120
Distressed opportunities	63
Credit relative value	69
Alternative risk premia	82
Fund of hedge funds	-
Emerging markets debt	88
Risk sharing	79
Insurance-linked securities	52
Property	45
Infrastructure	145
Private debt	52
Opportunistic illiquid credit	55
High yield	65
Opportunistic credit	60
Corporate bond fund	129
Liquid credit	26
Long lease property	43
Secured income	91
Over 15 year gilts	-
Index linked all stock gilts	-
Liability driven investment	554
Net current assets	13
Total assets	2,178

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 2021	31 March 2020
	% per annum	% per annum
Discount rate	2.19%	2.37%
Inflation (RPI)	3.26%	2.60%
Inflation (CPI)	2.87%	1.60%
Salary growth	3.87%	2.60%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

Key Assumptions	Life expectancy at age 65 (Years)
	% per annum
Male retiring in 2021	21.6
Female retiring in 2021	23.5
Male retiring in 2040	22.9
Female retiring in 2040	25.1

20. Financial instruments

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

		Group		Association	
		2021	2020	**2021**	2020
	Note	**£'000**	£'000	**£'000**	£'000
Financial assets					
Measured at undiscounted amount receivable					
Rent arrears and other debtors	16	177	296	177	296
Amounts due from related undertakings	16	-	-	907	2,028
Trade debtors	16	19	17	-	-
Cash and cash equivalents		17,892	16,675	16,960	16,189
		18,088	16,988	18,044	18,513
Financial liabilities					
Measured at amortised cost					
Loans payable	17,18	107,565	110,296	107,565	110,297
Pension deficit funding liability	19	2,039	680	2,039	680
Measured at undiscounted amount payable					
Bank overdraft	17	-	-	-	-
Rent received in advance	17	646	456	646	456
Trade creditors	17	686	689	585	655
Corporation tax	17	-	5	-	5
Amounts owed to related undertakings	17	-	-	181	220
Other taxation and social security	17	412	119	100	83
Other creditors	17	922	1,223	883	1,197
		112,270	113,468	111,999	113,593

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

	Group	
	2021	2020
	£'000	£'000
Interest income and expense		
Total interest income for financial assets at undiscounted amount	**18**	181
Total interest expense for financial liabilities at amortised cost	**4,519**	3,572

21. Statement of cash flows

	2021	2020
	£'000	£'000
Cash flow from operating activities		
Surplus for the year	**4,204**	3,340
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	**4,775**	4,486
Amortisation of intangible assets	**23**	32
Decrease/(increase) in inventories	**2,441**	2,054
Decrease/(increase in debtors	**564**	(471)
Increase/(decrease) in creditors	**(443)**	373
Corporation tax	**(16)**	-
Adjustments relating to pension scheme	**242**	321
Adjustments for investing or financing activities:		
Gain on sale of property, plant and equipment	**(596)**	(13)
Government grants utilised in the year	**(246)**	(203)
Interest payable	**4,506**	3,517
Interest received	**(18)**	(181)
Cash generated by operations	**15,436**	13,255
Cash and cash equivalents		
Cash at bank and in hand	**17,892**	16,675
Bank overdrafts (see note 17)	**-**	-
Cash and cash equivalents	**17,892**	16,675

21a. Analysis of changes in net debt

Period Ended 31 March 2022	As at 1 April 2020	Cashflows	Other changes	As at 31 March 2021
	£'000	£'000	£'000	£'000
Cash	3,025	1,217	(1,500)	2,742
Money market deposits	13,650		1,500	15,150
Banks loans due less than one year	(3,900)	3,900	-	-
Bank loans due more than one year	(106,397)	(2,455)	1,287	(107,565)
Finance lease commitments	(162)	122	(2)	(42)
Total	(93,784)	2,784	1,285	(89,715)

22. Financial commitments

Capital commitments are as follows:	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Contracted for but not provided for	4,452	19,155	4,452	15,318
Approved by the directors but not contracted for	38,590	8,191	26,882	8,191
Total Capital Commitments	43,042	27,346	31,333	23,509

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

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Payments due:				
- within one year	32	120	3	3
- between one and five years	10	42	6	10
- after five years		-		-
Total capital commitments	42	162	9	13

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

23. Housing stock

	Group		Association	
	2021	2020	**2021**	2020
	Units	Units	**Units**	Units
Social housing accommodation				
General needs housing accommodation	2,853	2,856	2,853	2,856
Housing accommodation at affordable rent	557	505	557	505
Housing accommodation at intermediate rent	11	11	11	11
Housing for older people accommodation	594	594	594	594
Shared Ownership accommodation	228	204	228	204
	4,243	4,170	4,243	4,170
Non-social housing accommodation				
Leaseholders	44	44	44	44
Market rent	2	2	2	2
	46	46	46	46
Total	4,289	4,216	4,289	4,216
Owned units in management	4,245	4,172	4,245	4,172
Units developed during the year:				
Social housing	84	186	84	186
Non-social housing units	-	-	-	-

23a. Housing stock reconciliation

	31 March 2020	Additions	Disposals	**31 March 2021**
Social housing				
General needs housing accommodation	2,856	4	(7)	**2,853**
Housing for older people	594	-	-	**594**
Intermediate rent	11	-	-	**11**
Affordable rent	503	54	-	**557**
Shared Ownership accommodation	206	26	(4)	**228**
	4,170	84	(11)	**4,243**
Non-social housing				
Market rent	2	-	-	**2**
Units owned and managed	4,172	84	(11)	**4,245**

In addition to the housing properties, Two Rivers Housing 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 Association 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 £14,832 (2020: £9,270). The value of rent arrears at year-end from tenant Board members was £zero (2020: £284).

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. This subsidiary was transferred to Centigen Facilities Management Limited on 1 July 2021.

24. Related party transactions (continued)

The table below details the intra-group transactions:

Non-regulated subsidiary	Transfers	Cost in year	Disposals	31 March 2021
		£'000	£'000	£'000
Two Rivers Developments Limited	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.	2	35	-
	Intercompany debtor	-	-	111
Centigen TRH Facilities Management Limited	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.	3,018	10	-
	Intercompany creditor	-	-	84
Centigen Facilities Management Limited	Recharge of minor set up costs for Centigen Facilities Management Ltd. Intercompany loan interest payable to Two Rivers Housing.	53	15	-
	Intercompany debtor	-	-	699

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.

More about Two Rivers Housing

www.tworivershousing.org.uk

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www.linkedin.com/company/TwoRiversHousing

www.facebook.com/TwoRiversHousing

www.twitter.com/TRHousing

Company registration number: 4263691

Homes and Communities Agency number: L4385

Registered charity number: 1104723

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