# Livin Housing Limited Report and Financial Statements

For the year ended 31 March 2021






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# General Information

## Chair of the Board

Alan Fletcher

## Vice Chair

Kevin Thompson

## Board members

Adele Barnett
Oliver Colling
Dennis Bradley
Charlotte Harrison
Norman Rollo
Hannah Underwood
Gillian Stacey (until 13th September 2021)
Sheila Rooney (until 31st July 2021)

## External Auditors:

Beever and Struthers
Chartered Accountants
and Business Advisors
St George's House
215-219 Chester Road
Manchester, M15 4JE

## Registration Numbers:

Regulator of Social Housing L4538

Registered Society number 30568R

## Chief Executive

Colin Steel

## Executive Directors

Sean Brodie (Finance and Development)
Alan Boddy (Housing and Operations)

## Advisors

### Bankers:

Nat West PLC
12 Market Street
Durham
County Durham
DH1 3NG

## Solicitors:

Towers & Hamlins LLP
3 Bunhill Row
London
EC1Y 8YZ

## Internal Auditors:

TIAA Ltd
Artillery House
Fort Fareham
Newgate Lane
Fareham
PO14 1AH

## Registered office:

Farrell House
Arlington Way
DurhamGate
Spennymoor
County Durham
DL16 6NL

# Our Business

We are a local housing provider currently managing over 8,400 homes across County Durham.

We are pleased to present this report together with the audited financial statements of Livin Housing Limited (the Association) for the year ended 31 March 2021. This Strategic Report has been prepared in accordance with the principles set out in paragraph 4.7 of the 2018 SORP for Registered Social Housing Providers.

## Principal Activities

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

The Association's head office is based in Spennymoor, County Durham and its homes are mainly in County Durham.

The Association is a Registered Society under the Co-operative and Community Benefit Societies Act with charitable objectives and operates the key business stream of:

**Housing for rent, primarily by people who are unable to rent or buy at open market rates**

# At a Glance

**2021**
**Operating margin**
**30.6%**
2020 26.9%

**2021**
**EBITDA**
**£16.145m**
2020 £13.921m

**2021**
**Homes under management**
**8,474**
2020 8,458

**2021**
**Number of housing responsive repairs completed**
**28,740**
2020 29,812

**2021**
**Void loss**
(all properties)
**2.32%**
2020 2.06%

**2021**
**Total arrears**
(adjusted for housing benefit due)
**2.91%**
2020 2.90%

**2021**
**Investment**
(housing developments, acquisitions and improvements to homes)
**£25.617m**
2020 £21.554m

**2021**
**Social value generated**
**£10.1m**
2020 £10.6m

# Chair's Statement

**As I reflect on my time as Chair at Livin I am immensely proud of what we have achieved especially during the last year. COVID-19 continues to impact upon our customers and communities but I am pleased that we have responded to the many challenges and continued to provide support and services during these difficult and uncertain times.**

Many customers face reduced income, social isolation and health issues. Our employees and partners acted quickly to address these major issues and offered support where it was needed including offering help with Universal Credit claims and signposting customers to various Government support packages. Our Tenant Emergency Support Service (TESS) ensured that additional support was available for many older and vulnerable customers. This included support with essential requirements such as food, money support and white goods but also included help with other challenges faced by our customers, such as loneliness, domestic abuse and mental health.

Communication continued to be key during this period and we kept customers up-to-date via our website and customer services team. It was reassuring for our customers to know that as core services resumed they were carried out under strict health and safety guidelines including social distancing and using necessary protective equipment.

The pandemic resulted in us temporarily slowing the delivery of some our strategic aims, enabling us to comply with Government guidance and ensuring that sufficient resources were available to respond to our customers' needs; especially those most vulnerable. However, we remain committed to our ambitious business strategy "Plan A" including delivering a brilliant customer experience, building and acquiring homes and enabling strong communities, the latter being assisted by our ambitious regeneration plans.

I am happy to report that despite the many challenges over the last 12 months we have continued to demonstrate robust financial performance while delivering critical services to our customers. I am delighted to report that following an In Depth Assessment (IDA) by the Regulator we retained the top governance and financial viability ratings of G1 and V1.

Finally, I would like to thank the Board for its hard work and support during my final year as Chair and I am confident that Livin is well placed to rise to future challenges.

**Alan Fletcher**
Chair of the Board

# Chief Executive's Statement

**As I look back on the last year, my final year as Chief Executive, I am immensely proud of what we have achieved under the most difficult of circumstances. The pandemic has had a major impact on all our lives and we responded at short notice by introducing new working methods and practices to ensure we continued to offer the best possible service to our customers.**

Our repairs and letting services encountered some initial delays as we prioritised our customers' health and safety and followed government guidance. However, by being agile we were able to quickly resume the vast majority of our services. This agility and a strong focus on our corporate values really shone through during the most testing of times, with our one team approach "The Livin Way" enabling us to pull in the same direction and work together to overcome the many unforeseen obstacles we faced.

We remain financially strong as demonstrated by our EBITDA MRI as a % of Turnover, which was 35.5% (2020: 26.2%). Our results show a surplus for the year of £7.488m (2020 £6.120m) showing our underlying performance also remains strong despite the pandemic.

The additional financial headroom we put in place in March 2019 enabled us to grow our business and fund our development programme. Whilst COVID-19 has had a major impact on our customers and other stakeholders we continue to remain financially resilient, with liquidity of approximately £29.3m at the year end.

Our strong working relationship with our strategic partner Mears plc was crucial as we adapted working practices to deliver essential services whilst maintaining social distancing. We kept up our high standards whilst ensuring customers health, wellbeing and safety remained our top priority.

The pandemic delayed the delivery of some of our strategic objectives contained in "Plan A" but we have successfully continued to focus on sustaining strong communities and creating places where people choose to live, through the provision of great homes and life opportunities.

We remain committed to delivering a brilliant customer experience and in my successor, I know we have someone who is determined to build on the many successes of the past.

My final thanks are to all of our employees and partners who worked tirelessly during the pandemic, showing agility and flexibility to support our customers.

Colin Steel

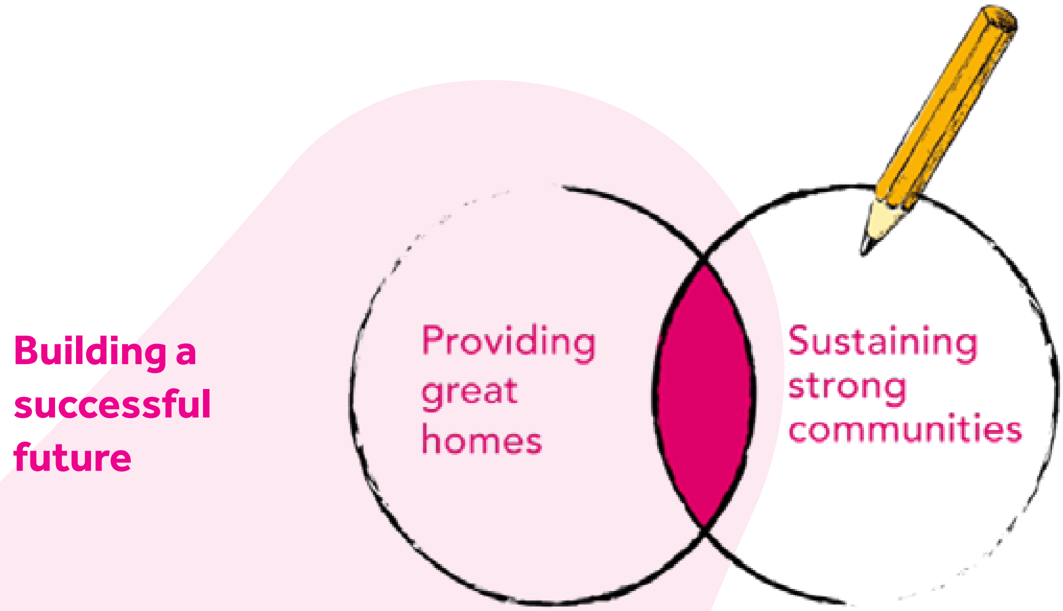
**Colin Steel**
Chief Executive

# Our Business Strategy

We call our business strategy "Plan A".

**Our Plan A is to...**

Provide great homes, sustain strong communities and build a successful future



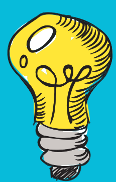

Plan A sets out our ideas for the future. It aims to deliver a brilliant customer experience. It sets out 23 ambitious challenges which are both radical and realistic. Plan A is our map to a better future. It's the next step in our journey.

## Our Values

The Livin way... a One Team approach

At Livin our excellent team is pulling in the same direction working together and helping others to...

**Be Excellent**
- Taking personal responsibility
- Owning challenges
- Delivering high standards



**Be Enterprising**
- Trying new things
- Being future-ready
- Challenging the norm

**Be Productive**
- Stretching targets
- Being efficient
- Doing what matters

## Our objectives, challenges and key actions

Plan A is underpinned by seven high level business objectives and a series of Strategic Objectives which are structured to align to our Mission.

These high-level business objectives, are:

### 1: Delivering a Brilliant Customer Experience

### 2: Supporting Sustainable Tenancies

### 3: Providing Quality Homes

### 4: Enabling Strong Communities

### 5: Building and Acquiring Homes

### 6: Enabling Employees to Flourish

### 7: Maintaining Strong Finances and Governance

## Measuring Success

**Our criteria for success in delivering Plan A means;**

**Our Customers will:**

- Feel their personal needs have been met and they are treated as individuals. They will find it easy to interact with us and have their needs heard and responded to quickly
- Live independently with the help of personalised health and wellbeing support and receive financial inclusion support, which will make it easier for them to pay their rent. Those customers that fall into arrears will receive the targeted support they need

**Our communities will:**

- Be confident and empowered
- Maximise value from investment we make in them

**We will:**

- Provide a valued and used digital tenancy management offer along with a modern effective and efficient repairs and maintenance service. We will offer a modern property portfolio that meets tenants needs and aspirations with improved energy efficiency and a reduced carbon footprint
- Stretch employees and their teams, working towards challenging goals, always learning and trying new and better ways of doing things. Engaged employees will buy into Plan A priorities and be affiliated with the "Livin team"
- Demonstrate we are competitive and attractive to current and future investors whilst delivering value for money
- Be effective in our governance arrangements enabling timely and effective decision making. Our financial management will be dynamic allowing us to seize opportunities

**Our housing developments will:**

- Be successful, sustainable and in demand, maximising the number of new homes delivered
- Deliver value for money
- Comprise of a range of standard house types that meets the needs and aspirations of current and future tenants

# Finance - Five Year Summary

| | 2016/17 £'000 | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 restated | 2020/21 £'000 |
|---|---|---|---|---|---|
| **Statement of Comprehensive Income** | | | | | |
| Turnover | 34,758 | 34,551 | 34,545 | 35,522 | 35,365 |
| Operating Surplus | 13,606 | 11,387 | 10,689 | 9,568 | 10,809 |
| Surplus/(Deficit) for year | 9,262 | 6,523 | (23,286) | 6,120 | 7,488 |
| **Statement of Financial Position** | | | | | |
| Housing properties (net of depreciation) | 116,300 | 120,197 | 129,113 | 143,868 | 163,255 |
| Investment properties and other investments | 7,748 | 7,654 | 7,829 | 7,409 | 7,309 |
| Other fixed assets | 3,917 | 3,793 | 3,809 | 3,716 | 3,717 |
| **Total fixed assets** | **127,965** | **131,644** | **140,751** | **154,993** | **174,281** |
| Current assets | 4,849 | 11,168 | 5,849 | 7,291 | 6,808 |
| Current liabilities | (5,520) | (6,184) | (5,520) | (3,927) | (5,691) |
| **Total Assets less Current Liabilities** | **127,294** | **136,628** | **141,080** | **158,357** | **175,398** |
| Long Term Creditors | 72,107 | 74,222 | 99,994 | 110,271 | 119,204 |
| Pension Deficit | 5,660 | 6,840 | 7,030 | 8,090 | 12,440 |
| Revenue Reserve | 42,628 | 48,912 | 27,271 | 33,629 | 37,615 |
| Revaluation Reserve | 6,899 | 6,654 | 6,785 | 6,367 | 6,139 |
| **Total Reserves** | **127,294** | **136,628** | **141,080** | **158,357** | **175,398** |
| **Net debt** | **62,247** | **56,977** | **88,327** | **89,398** | **95,628** |
| **Other information and key performance measures** | | | | | |
| Housing Properties (homes) | 8,373 | 8,376 | 8,408 | 8,458 | 8,474 |
| Operating Surplus as a % of Turnover | 39.1% | 33.0% | 30.9% | 26.9% | 30.6% |
| Surplus for the year as % of turnover (excluding breakage costs) | 26.6% | 18.9% | 17.5% | 17.2% | 21.2% |
| Rent losses (voids + bad debt as a % of rent receivable) | 2.9% | 2.6% | 2.6% | 2.5% | 2.7% |
| EBITDA | 17,958 | 15,713 | 14,769 | 13,921 | 16,145 |
| EBITDA MRI | 11,822 | 11,859 | 10,136 | 9,299 | 12,562 |
| EBITDA MRI % turnover | 34.0% | 34.3% | 29.3% | 26.2% | 35.5% |
| Interest Cover – Loan Covenant (excluding breakage costs) | 2.57 | 2.35 | 2.05 | 3.13 | 4.22 |

# Financial Review

We use EBITDA MRI to monitor financial performance as this provides a closer match for essential loan covenant monitoring. Using this measure, our performance has improved from £9.299m to £12.562m. This improvement in performance is the result of reduced overheads, repairs and maintenance costs and major repairs spend, a result of the impact of COVID-19 on our organisation.

Our Operating surplus increased by £1.241m to £10.809m. Turnover fell by £0.157m which was due to a fall in Shared Ownership first tranche sales of £0.925m but offset by increases in social and affordable rents. We recognise that demand for low cost homeownership isn't strong in our area and focus our efforts on the social and affordable rental markets. Planned and responsive repair costs reduced by £0.937m, a result of COVID-19 restrictions and access issues.

Overall surplus improved to £7.488m (2020 £6.120m).

## Asset management & property developments

We have fixed assets of £174.281m and invested £3.583m during the year in our residential accommodation to ensure all our homes continue to meet the Decent Homes Standard.

We also invested £22.034m during the year to build and acquire new homes.

## Future developments

It is essential that we listen and respond to the needs of our customers through the use of our transactional data and by engaging directly with customers. This allows us to align our activities to the needs and concerns of our customers.

Two of our key objectives remain "providing quality homes" and "building and acquiring homes." The Board has approved plans to spend approximately £7.44m during the next financial year to improve existing general housing and £18.713m (net of grant) to be spent on the provision of new homes. This investment will be funded by existing committed, undrawn loan facilities, our rental income stream and short-term deposits.

## Void rent loss

Void rent loss was £0.801m compared to £0.691m in the previous year. This increase a result of the Pandemic and nationwide lockdown, with lettings suspended in the first quarter and also increased void turnaround times due to self-isolation issues.

## Rent Arrears

Rent arrears in respect of current tenants was 1.88% (2020 1.79%) after accounting for the timing of a housing benefit payment received shortly after the year end. This increase was less than expected given the financial hardship experienced by many households due to the Pandemic. The support offered by our Financial Wellbeing team resulted in a reduction in arrears across the majority of areas and property groups but was outweighed by an increase of £70,000 in arrears for a small number of customers owing over £750.

# Capital Structure and Treasury Policy

Our treasury management arrangements are set out below.

Existing bi-lateral debt facilities were agreed in March 2019 and totalled £120m. During the year we secured additional funding of £30m via a deferred draw down structure with £5m drawn before year end and a further £25m available in 3 tranches. A summary of our borrowings at year end is shown in the table below.

| Maturity | 2021 £m | 2020 £ |
|---|---|---|
| Within one year | - | - |
| Between one and two years | - | - |
| Between two and five years | 4.0 | 3.0 |
| After five years | 95.0 | 90.0 |
| | **99.0** | **93.0** |

## Working capital and liquidity management

Our working capital and liquidity requirements are managed through the preparation of regular cash flow forecasts. These are constantly updated to ensure liabilities can be met as they fall due. We hold loans from the Pension Insurance Corporation, AIB Group (UK) plc and Lloyds Bank plc, at both fixed and floating rates of interest. Cash flow is monitored to ensure that loan drawdowns are only made when required, in order to minimise borrowing costs.

## Interest rates

We use fixed rate loans to manage our exposure to interest rate fluctuations. Our treasury management policy targets a maximum of 30% variable rate loans or a maximum of 90% fixed rate loans. At the year end the amount of variable loans outstanding were £14m, resulting in 86% of our borrowings being at fixed rates of interest at the year end.

The range of interest rates on the fixed rate loans varies between 2.570% and 3.207% (including margins) and between 0.824% and 2.118% on the floating loans.

## Peak debt

Our Business Plan for 2021-51 has been prepared in accordance with the existing capital structure and includes a pipeline of developments over the next nine years, with peak debt forecast at £176.2m in March 2030.

## Golden rules

Financial strength is key to delivering Plan A and we have established a set of "Golden Rules." These rules are a series of financial performance measures designed to ensure we are not overly exposed to risk, remain financially robust and attractive to existing and potential funders. A summary of these Golden Rules is shown below along with expected performance based on our latest Business Plan:

| Area | Golden rule | Trigger | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|---|---|---|---|---|---|---|---|
| Liquidity * | 24 months | 30 months | 23 months | 11 months | 0 months | 0 months | 0 months |
| Covenant – interest cover | Min 1.40x | Min 1.50x | 1.71 | 1.64 | 1.71 | 1.93 | 1.89 |
| Covenant – gearing | Max 70% | Max 65% | 45% | 43% | 43% | 42% | 41% |
| Market risk | Max 10% | N/A | 0% | 0% | 0% | 0% | 0% |
| On-lending | Max £12m | Max £9m | £0 | £0 | £0 | £0 | £0 |
| – EBITDA margin | Min 30% | N/A | 35% | 37% | 40% | 42% | 42% |
| – Voids | Max 5.0% | Max 3.0% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| – Bad debt | Max 2.65% | Max 1.5% | 1.49% | 1.49% | 1.49% | 1.49% | 1.49% |
| Credit rating – social housing lettings interest cover | Min 1.40x | N/A | 2.13 | 2.25 | 2.50 | 2.28 | 2.14 |
| Credit rating – EBITDA: debt | Max 15x | N/A | 8.42 | 7.95 | 7.70 | 7.48 | 7.67 |
| Security value of properties to peak debt | 100% | N/A | 129% | 130% | 132% | 134% | 135% |

*Liquidity is measured as at the start of the financial year

The Golden Rules show that we will continue to meet the financial targets defined by our Board over the medium term and that current development aspirations will require additional funding before the end of 2023/24. We are already in advanced discussions to secure additional funding and further improve our liquidity.

## Sustainability reporting

We have signed up as an early adopter of the Sustainability Reporting Standard for Social Housing enabling us to report our Environmental, Social and Governance (ESG) performance in a transparent, consistent and comparable way. We also achieved a SHIFT (sustainable homes for tomorrow) silver rating. We look to build on the work already done to improve our rating and improve our sustainability performance across our business.

## Employees

We recognise that the success of our business depends on the quality of our managers and staff. It is our policy that training, career development and promotion opportunities should be available to all employees.

We are committed to equal opportunities and, in particular, we support the employment of disabled people as defined under the Equality Act (2010), both in recruitment and in retention of employees who become disabled whilst employed by us.

## Health and Safety

The Board is aware of its responsibilities on all matters relating to health and safety. The organisation has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

## Donations

The Association donated £2,835 (2020 £1,532) to charitable organisations.

No political donations were made.

# Value for Money

## Our Value for Money Strategy

We are committed to embedding Value for Money throughout our governance processes, business planning and performance management frameworks, and through our service delivery culture. We recognise that value for money plays a vital role in the achievement of our strategic objectives and in supporting our ongoing viability and future growth.

## Our approach to Value for Money

The Regulatory Standards require registered providers to review and understand their performance against the Value for Money technical metrics set by the Regulator, as well as their own Value for Money targets.

Targets are set annually by our Board based on the approved budget for the year, ensuring they include the strategic objectives contained within Plan A. To ensure that our Board considers the effect of their decisions on the technical metrics established by the Regulator, they are provided with a three year forecast of the technical metrics when setting the annual budget and a thirty year forecast when approving the Business Plan. These forecasts also include our historical performance for each metric and a comparison against the sector as a whole (all registered providers in England with over 1,000 properties) divided into quartiles.

In our analysis below we also consider performance against our North East Peer group as defined by the Regulator in their Global Accounts 2020.

**The overall aim of our Value for Money Strategy is:**

**" to advance the achievement of our strategic and charitable objectives by ensuring that our approach to the management of resources is strategic and comprehensive, and is considered and embedded at both the strategic and operational levels "**

## Measuring Value for Money – our own performance targets

Our performance framework is used to measure Value for Money and is monitored and reported to Board on a quarterly basis. Challenging targets are approved each year with key strategic objectives reported on separately so performance against Plan A can be clearly seen. Our performance against key indicators are set out in the table below:

| Performance Measure | Target | Performance |
|---|---|---|
| **Delivering a Brilliant Customer Experience** | | |
| Overall satisfaction with Customer Experience | 91% | 92% |
| Net promoter score | 50 | 55 |
| Percentage of complainants satisfied with the way their complaint was handled | 91% | 98% |
| Percentage of tenants satisfied their views are being listened to and acted upon | 88% | 100% |
| **Supporting Sustainable Tenancies** | | |
| Average re-let time (calendar days) standard properties (excluding Major works) | 60 days | 50 days |
| Turnover of tenancies as a percentage of overall stock | 8% | 8% |
| Total number of tenants securing employment | 300 | 190 |
| Percentage of tenancies using digital means of managing their tenancy | 31% | 35% |
| Percentage of tenants with improved financial confidence following financial inclusion support | 77% | 78% |
| **Providing Quality Homes** | | |
| Percentage of previously identified poorly performing assets addressed and subsequently let/disposed | 40% | 39% |
| Average time taken to complete repairs (calendar days) | 19 days | 12 days |
| Percentage of tenant satisfaction with repairs | 91% | 89% |
| Percentage of tenants satisfied with their planned works | 96% | 94% |
| Number of properties achieving SAP band C | 5,500 | 5,243 |
| % properties with a valid landlord gas safety record | 100% | 99.98% |
| Number of properties without a valid asbestos survey | 18 | 16 |
| Percentage of communal areas and shared spaces with a valid fire risk assessment | 100% | 100% |
| Percentage of properties with a valid electrical safety check | 100% | 98% |
| Percentage of properties with a valid water hygiene check | 100% | 100% |
| Percentage of properties with a valid lift service | 100% | 98% |
| Percentage of properties with a valid solid fuel safety check | 100% | 100% |

| Performance Measure | Target | Performance |
|---|---|---|
| **Enabling Strong Communities** | | |
| Ratio of Social Value achieved to community investment, health and wellbeing interventions | £1 : £40 | £1 : £76.55 |
| Sustainable communities score – struggling communities | 15 | 21 |
| **Building and Acquiring Homes** | | |
| Number of homes developed and acquired (excluding ESPs) | 117 | 68 |
| Percentage of homes secured against business plan targets over a three year period | 85% | 101% |
| **Enabling Employees to Flourish** | | |
| Capacity Score (%) | 70% | 72% |
| Employee Satisfaction (%) | 67% | 77% |
| **Maintaining Strong Finances and Governance** | | |
| EBITDA MRI (as a % of turnover) | 22% | 36% |
| Average VfM Score | 2.1 | 1.4 |
| Governance rating | G1 | G1 |
| Total rent arrears as a percentage of the rent due (excluding voids) | 3.6% | 2.9% |
| Accuracy of Interest Cover forecasts | 76% | 82% |

During the period our performance was strong with only two high level indicators being outside our tolerance levels.

Total number of tenants securing employment failed to meet target for the first time in four years. A stretching target was set to make sure tenants were supported into work to reflect the economic pressure faced by communities and tenants. However, during the pandemic many businesses placed staff on furlough or implemented recruitment freezes resulting in fewer opportunities. For 2021/22 the Kickstart scheme will be delivered supporting over 42 young people into work in areas such as repairs, health, green skills, education and customer service.

In addition, the number of homes developed or acquired did not reach targeted levels. This was a direct result of COVID-19 with several sites experiencing material shortages or delays due to social distancing requirements. It is anticipated that the delayed properties will now complete in 2021/22 putting us back on track with our remaining development programme.

Seven measures were below target but within tolerance (amber). The percentage of previously identified poorly performing assets addressed and subsequently let/disposed just fell short of target. This was due to specific flats and bungalows in Shildon, County Durham which have now been earmarked for significant investment or demolition and therefore were neither let or disposed of at year end.

The percentage of tenants satisfied with repairs was 2% below target. This was a result of fluctuating availability of operatives and an increase in demand for the service during the pandemic. An action plan is in place to improve performance in this area including keeping customers better informed when repairs have longer lead times or are delayed due to material shortages.

Tenant satisfaction with planned works was also within tolerance. This was affected by the difficult operating environment with COVID-19 limitations and restrictions impacting on completing works. Whilst the number of surveys returned was higher than the previous year, they were still relatively low, affecting the overall performance. Improvements will be made in the coming year to boost surveys and reminders issued to customers to complete the surveys.

The number of homes achieving SAP band C was 257 below target. Again, the pandemic negatively impacted this measure by delaying planned works programmes. Performance improved toward the year end and works deferred from 2020/21 will be addressed in the 2021/22 programme.

The number of homes with a valid landlord gas safety certificate did not meet the 100% target. At year end two homes did not have a certificate, both of which were due to access issues. These safety checks were completed after the year end.

The percentage of properties with a valid electric safety check was 2% below target. There were 144 overdue checks at the year end as a result of access issues and suspending testing briefly during the year due to COVID-19. Improved communication, combined with increased appointment slots and resources should enable performance to return to pre-pandemic levels in 2021/22.

The number of properties with a valid lift service was also within tolerance. This was a result of access issues with 4 lift services remaining overdue at the end of March 2021, all of which have subsequently been completed.

## Value for Money Performance – Regulators Metrics

In addition to the above performance measures used to track progress against strategic objectives, we also use the Regulator's VfM metrics to measure our performance, setting targets based on the Board approved Business Plan.

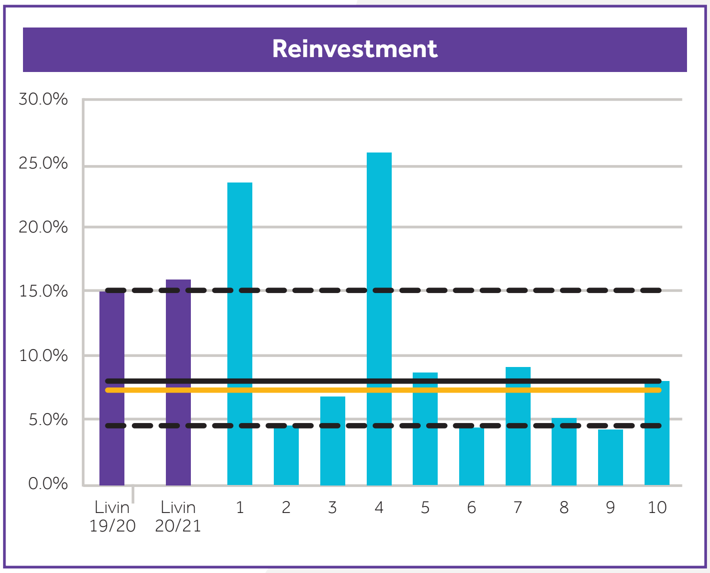
| Value for Money metric | | Target | Performance |
|---|---|---|---|
| 1 | Reinvestment % | 18% | 16% |
| 2a | New Supply Delivered % (Social Housing Units) | 1.6% | 0.9% |
| 2b | New Supply Delivered % (Non- Social Housing Units) | 0% | 0% |
| 3 | Gearing % | 60.7% | 58.0% |
| 4 | EBITDA MRI Interest Cover % | 264.0% | 402.9% |
| 5 | Headline Social Housing cost per unit | £3,169 | £2,681 |
| 6a | Operating Margin % (Social Housing Lettings only) | 15.6% | 25.7% |
| 6b | Operating Margin % (overall) | 19.5% | 28.9% |
| 7 | Return on Capital Employed % | 4.3% | 6.2% |

Our Reinvestment target of 18% consisted of 14.5% (£24.4m) new developments spend and 3.5% (£5.8m) for works to existing properties. We failed to meet the target due to delays in major improvement works, new build construction and our regeneration scheme at The Courts, Shildon. Material shortages and reduced workforce availability due to the pandemic impacted on both Developments and Major improvement works. Developments accounted for 13.5% of the total 16% performance (£2.4m below target) and Major improvement works were 2.5% (£2.2m less than target).

A regeneration scheme at Shildon was delayed as we made the decision to tender the works to demonstrate Value for Money. Performance in 2021/22 is expected to improve as delayed major works and development sites return to normality.

## Value for Money Performance – Peer Group Comparison

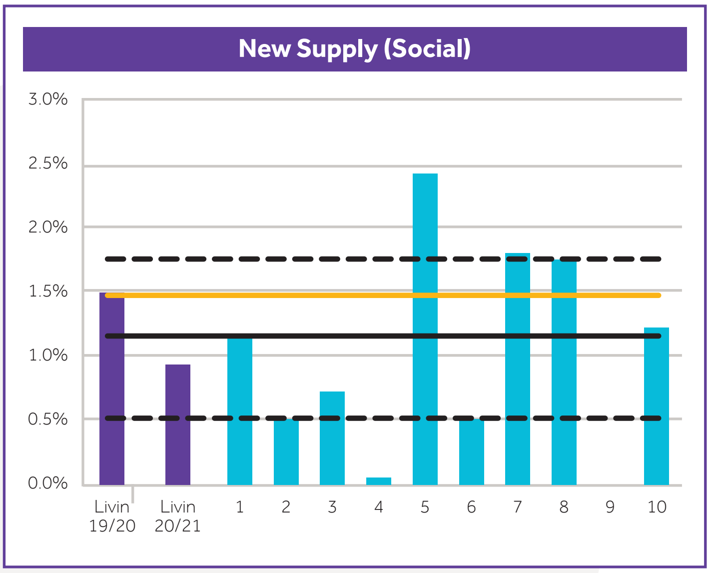
The tables below compare our performance in 2020/21 against the 10 other members of the North East Peer Group as defined in the Regulator's Global Accounts 2020 (latest set available at the time of preparing this report). The dashed black lines on each graph show the upper and lower quartiles for the Peer Group with the solid black line being the Peer Group median. The solid orange line is the sector median as per the Regulator's Global Accounts 2020.




## Reinvestment

Our performance was top quartile in comparison to both our regional peer group and the sector as a whole. During the year, we significantly increased spend on new development and existing assets from £21.5m in 2019/20 to £25.6m in 2020/21. The majority of this increase relating to new social housing properties, with 80 additions to our housing stock made during the year. We expect the number of additions to increase next year as sites that were delayed due to COVID-19 complete in 2021/22.

Our plans still include an ambitious development programme and a regeneration scheme at The Courts, Shildon, which is now expected to start in late 2021 following delays.




## New supply delivered (social housing)

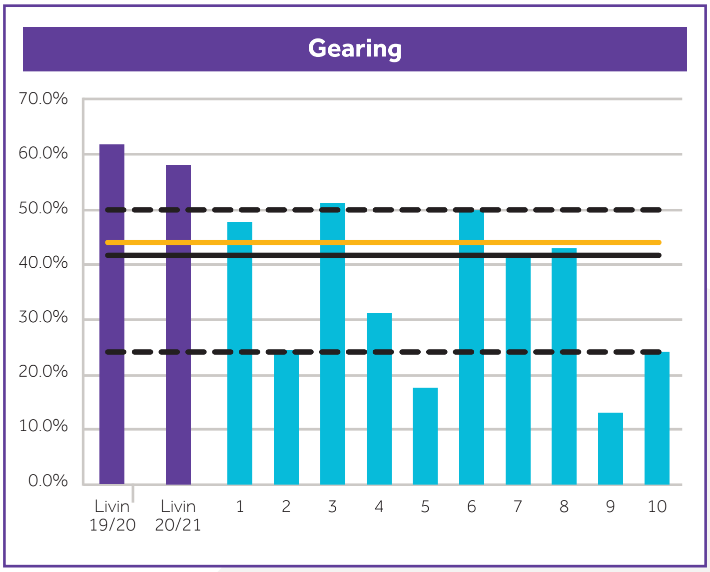
New supply delivered (Social Housing) was an area where performance fell, placing us in the third quartile when compared to our peer group and the sector as a whole. Our development sites were affected by the pandemic with restrictions to working methods, caused by social distancing, and material shortages resulting in several delays. We focus on building or acquiring 2 or 3 bedroom properties for affordable rent in areas of high demand, the schemes which were delayed will now be completed in 2021/22 leading to a significant increase in performance.

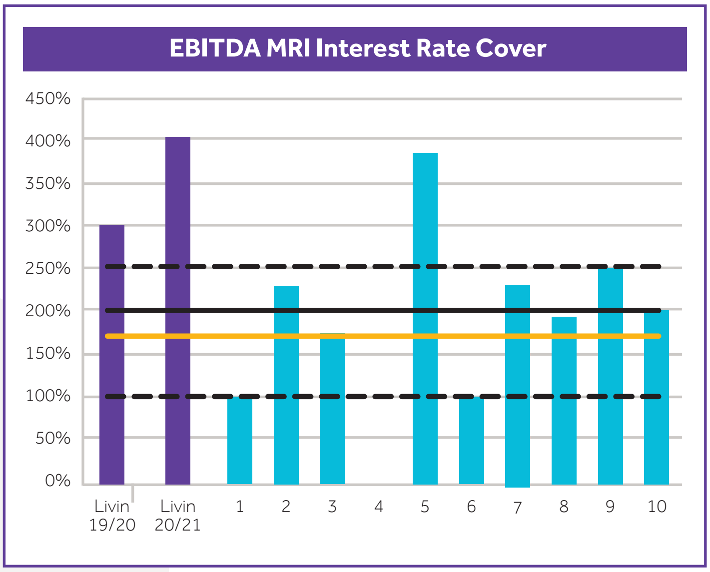
In August 2020 we were shortlisted for the LABC regional Best New Housing Development and Best Social or Affordable New Housing Development Awards for our developments at Cargill Close, Newton Aycliffe and Hackworth Close, Dean Bank.

We look to build on our past success with an ambitious development programme which will deliver over 1,080 homes in the next 9 years. We are making good progress in establishing strategic development partners and have already secured 101% of our next three year's development target.

## New supply delivered (Non-social housing)

New supply delivered (Non-Social Housing) is an area in which only 3 of the peer group delivered properties. Our strategy focuses on delivering new much needed Affordable Housing or Low Cost Home Ownership properties therefore we do not expect this metric to increase in future years.




*(Peer group member no. 4 above is shown as 0% but reported negative interest cover due to refinancing costs)*

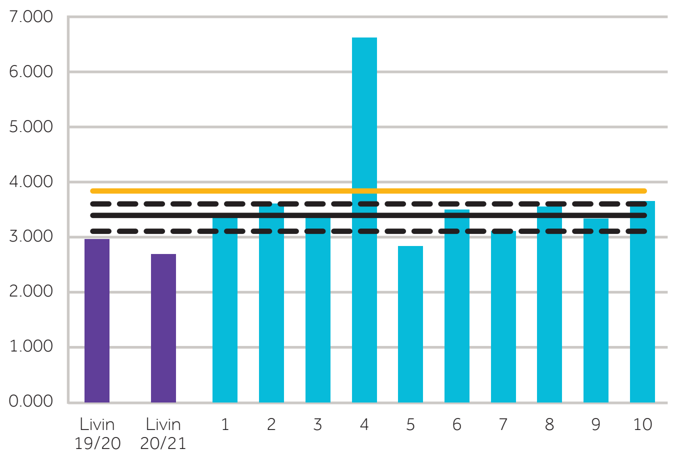
## Gearing

Gearing was top quartile when comparing to both our peer group and the sector as a whole. Additional debt facilities of £30m were agreed during the year on a deferred draw down structure with £5m of these being drawn in March 2021. These additional debt facilities strengthen our liquidity and allow us to continue with our strategic objective of Building and Acquiring Homes. Our ambitious development plans for the next 9 years, funded by borrowings, should maintain our performance in this area. Gearing is not a major limiting factor to our development capacity and does not restrict our future development plans.

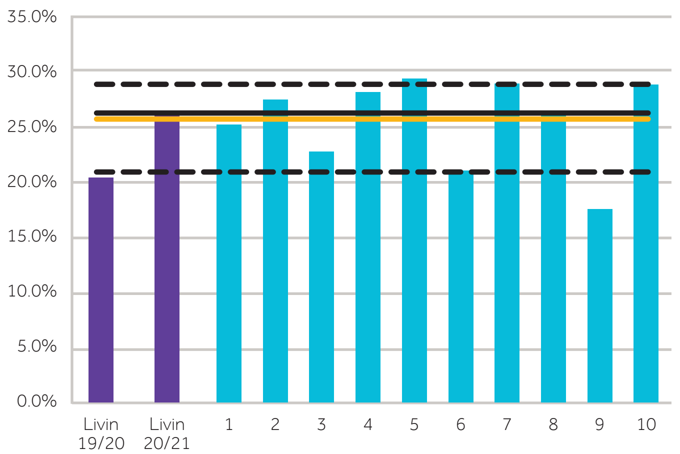
## EBITDA MRI Interest cover

EBITDA MRI Interest cover, when compared to our peer group and the sector as a whole, has seen us maintain our top quartile performance. The refinancing of legacy loans in March 2019 resulted in new debt being secured at much lower interest rates. The reduction in MRI works and increased surplus in 2020/21, a result of the pandemic, also assisted with improving our performance in this area.

Headline Social Housing CPU (£k)




Operating Margin Social Housing Lettings




## Headline Social Housing Cost Per Unit

Headline Social Housing Cost per Unit remains top quartile compared to both our regional peer group and the sector as a whole. The pandemic saw a reduction in costs as nationwide lockdowns and homeworking reduced overheads. Repair costs also reduced due to a smaller number of properties becoming void during the year.

### Understanding our Social Housing Cost per Unit

Our social housing cost per unit is reported as part of our regulatory value for money metrics. This can be further analysed as shown below.

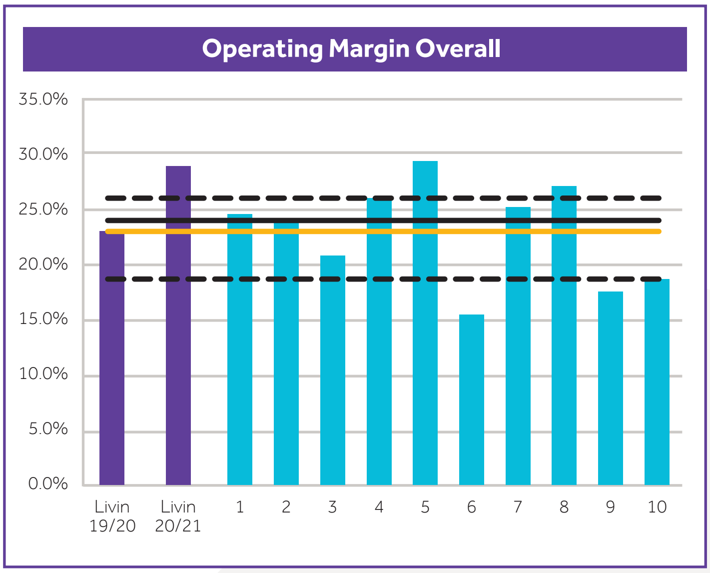
| | 2020/21 | 2019/20 | Change |
|---|---|---|---|
| Management costs | £1,194 | £1,173 | £21 |
| Repairs | £994 | £1,107 | (£113) |
| Major works | £442 | £593 | (£151) |
| Service charges | £9 | £10 | (£1) |
| Other | £42 | £68 | (£26) |
| **Total** | **£2,681** | **£2,951** | **(£270)** |

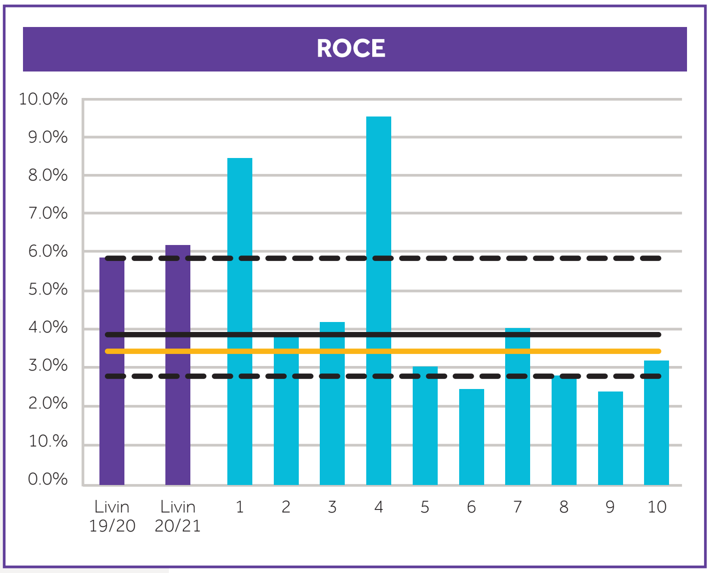
Our overall cost per unit has reduced by £270 a result of reduced major works and repairs costs during the pandemic. We anticipate that these costs will increase in future years as social distancing measures are relaxed and normal services resumed.

An increase in employment costs added to our management costs but were largely offset by operating efficiencies and lockdown, which reduced other overhead costs. The end result being an increase in management costs per unit of £21.

## Operating Margin Social Housing Lettings

Operating Margin Social Housing Lettings is an area where our performance improved significantly, increasing from 20.3% to 25.7%. This now places us just below the sector and peer group median where previously we had been lower quartile compared to both groups. An increase in our Social Housing Turnover, a result of annual rent increases, new social housing properties and the demolition of poor performing stock, combined with reduced routine maintenance costs are the main reasons behind this improvement. We continue to operate in areas where our average weekly rent charge is relatively low compared to the majority of our peer group. Despite our top quartile Cost per Unit performance, lower than average rent charges continue to mean our social housing lettings margin is relatively low. This is expected to continue in the short term as depreciation charges increase.




## Operating Margin Overall

Operating Margin Overall - our performance was upper quartile compared to both the North East peer group and the sector as a whole. Our performance overall was 28.9% assisted by our strong margins on Commercial lets and Other turnover. Our future performance is expected to fall over the next three years to between 20.5% to 24.4%. This is partly due to our prudent business plan assumptions and increased depreciation charges, which are expected to increase as more housing units are completed.

## Return on Capital Employed (ROCE) %

Return on Capital Employed (ROCE) % - our performance has improved reflecting the increase in our overall operating margin. We are top quartile compared to both our peer group and the Sector as a whole. ROCE is expected to fall in future years, as further capital is employed through further investment in new and existing homes.

## Overall performance

The Board aims to achieve a balanced performance across the Regulator of Social Housing's Value for Money technical metrics, aiming for our blended average performance to be above median across the technical metrics as a whole.

Our methodology for this is to apply a score of 1 for best quartile performance and 4 for worst quartile performance. Using this methodology, historical, current and future performance is shown in the table below (when compared to the sector as a whole based upon the 2020 Global Accounts) along with our actual and forecast performance:

| Metric | 2019/20 | | 2020/21 | | 2021/22 forecast | | 2022/23 forecast | | 2023/24 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Performance | Quartile | Performance | Quartile | Performance | Quartile | Performance | Quartile | Performance | Quartile |
| **Reinvestment %** | 15% | 1 | 15.7% | 1 | 15.7% | 1 | 9.8% | 2 | 15.2% | 1 |
| **New supply delivered – social housing (%)** | 1.47% | 3 | 0.94% | 3 | 2.2% | 2 | 1.7% | 2 | 1.6% | 2 |
| **Gearing (%)** | 61.5% | 1 | 58.0% | 1 | 59.3% | 1 | 57.4% | 1 | 56.9% | 1 |
| **EBITDA MRI Interest Cover (%)** | 299.7% | 4 | 402.9% | 1 | 171% | 2 | 164% | 3 | 171% | 2 |
| **Headline Social Housing Cost per Unit (£)** | £2,951 | 1 | £2,681 | 1 | £3,354 | 2 | £3,508 | 2 | £3,620 | 2 |
| **Operating Margin (Overall)** | 22.8% | 3 | 28.9% | 1 | 20.5% | 3 | 21.9% | 3 | 24.4% | 2 |
| **Return on Capital Employed** | 5.8% | 1 | 6.2% | 1 | 4.2% | 2 | 4.4% | 1 | 4.7% | 1 |
| **Average for all metrics** | | 2.0 | | 1.3 | | 1.9 | | 2.0 | | 1.6 |

An organisation which demonstrated median performance in all measures would show an average performance of 2.5. Our overall performance in all years under review is better than this average.

Using this methodology for measuring performance against the North East Peer Group, our performance was also in the top quartile.

Future assessments will include any new value for money measures introduced as a result of The Charter for Social Housing Residents Social Housing White Paper.

## Measurable plans to address underperformance

The Board has considered those areas where performance against the Value for Money technical metrics, defined by the Regulator of Social Housing, are below median when compared with the sector as a whole.

In 2021/22 there is one metric where performance is expected to be below the sector median; this is Operating margin (overall).

Operating margin (overall) is forecast to remain in the lower median quartile, a result of improving the quality of our repairs service, particularly in relation to void property repairs and reducing the time customers wait for non-urgent repairs to be completed. We are also looking at establishing other services that will sustain the tenancies of vulnerable tenants. We believe that this will provide value for money as they complement our key strategic objectives of Delivering a Brilliant Customer Experience, Providing Quality Homes and Supporting Sustainable Tenancies which in turn leads to the long-term sustainability of tenancies and future success.

## Conclusions

Value for Money is embedded in our culture and governance structure; we appreciate that delivering effective and efficient services benefits our customers and their communities.

Performance in 2020/21 shows a continued commitment to Value for Money. In comparison to our peer group and the sector as a whole we are able to demonstrate strong performance against the Technical Metrics defined by the Regulator and have assessed our long-term business plans and forecasts in the light of these metrics.

We have identified a small number of areas where there is underperformance in comparison to other providers, defined as performance which is below median against the sector as a whole, and have detailed the measurable plans which are in place to address these areas where appropriate.

The Board is satisfied that our financial plans provide a balanced performance across its adopted value for money metrics and is currently achieving above median performance across the technical metrics as a whole.

# Leadership and Governance

## Our Board Members

Board members at the date of approval of these financial statements are:

### Alan Fletcher
Chair of the Board

Alan has been a Board Member with us since 2012 and is Chair of the Board. He is a member of the Human Resources and Remuneration, Housing and Assets, and Finance and Development Committees.

Most of Alan's working life has been in transport and distribution in a variety of operational and management roles. Since retiring he has trained and worked in the voluntary sector, with a particular interest in welfare rights and benefits.

### Kevin Thompson
Vice Chair of the Board

As a former County Councillor for the Spennymoor and Middlestone Ward and former Town Councillor for Byers Green, Kevin has community and local priorities firmly at the forefront of his actions. He is a member of the Audit & Risk and Housing & Assets Committees.

As a school Governor Kevin has a strong interest in matters around education, as well as social housing and welfare reform. At Durham County Council his key area of interest was planning where he believed that the transparency of the public agenda is paramount at a grass roots level, working for the benefit of the community. Kevin has previously served on Livin's Board through periods of significant transformation and contributed to developing Livin as an efficient and sustainable business, supporting tenants to improve their lives.

### Adele Barnett
Independent Board member

Adele has been a Board member since 2014 and previously chaired the HR & Remuneration Committee. She is currently a member of the Human Resources and Remuneration Committee and is Chair of the Housing and Assets Committee.

A graduate of sociology, Adele has worked in health and social care for over 14 years in local government and voluntary organisations, and has managed an information service providing advice to disabled people and carers about a variety of issues including housing and employment.

Adele believes in quality service provision having worked for Durham County Council Children and Adults Services with responsibility for the Services Quality Assurance Programme and Policy Framework, and is passionate about building strong community links.

### Oliver Colling
Independent Board member

Oliver has been a Board member with Livin since 2015 and is currently Chair of the Audit and Risk Committee. He is also a member of the Finance and Development Committee.

A Durham University graduate, Oliver has built three successful businesses and is a qualified accountant. With over 25 years' experience Oliver runs a management consultancy business and has helped a broad range of organisations and individuals reach their full potential through strategic business advice and enabling them to 'do things better'.

Oliver's business and finance skills bring commercial acumen to Livin's Board, underpinned by his belief that everyone deserves a decent home regardless of their background.

## Norman Rollo
Independent Board member

Norman has been a Board member since November 2016. He is currently Chair of the Human Resources and Remuneration Committee and a member of the Audit and Risk and Housing and Assets Committees.

With a professional career in human resources and management consultancy, Norman has also, in previous roles, been responsible for developing community services and providing excellent customer support.

Brought up in a council house, Norman, is proud of what good social housing can offer to tenants and the respect and self-worth it can bring to those it supports. He is committed to ensuring Livin's tenants receive great services delivered with care, courtesy, fairness and respect.

## Dennis Bradley
Independent Board member

Dennis has been a Board member since November 2016 and prior to that he was Chair of Livin's Scrutiny Group. He is currently Chair of the Finance and Development Committee and also a member of the Housing and Assets and the Human Resources and Remuneration committees.

With two master's degrees, Dennis has over 40 years' experience in the public sector. Driven by a strong social conscience and experience of the workings of large, complex organisations Dennis spends his time since retiring assisting as a Chair of Governors, as well as his work with Livin.

Dennis believes that a secure, affordable home is a necessity for all and is committed to bringing his experience and skills to help support the Board.

## Charlotte Harrison
Independent Board member

Charlotte has been a Board member since February 2017. She is currently on the Finance and Development and Human Resources and Remuneration committees.

With over 20 years' experience in the housing sector across a variety of housing organisations, Charlotte began her career in London working for a Latin American Housing Co-operative which was part of a wider network of agencies working with the Latin American community. Since then Charlotte worked in the South West and North East before joining the Northern Housing Consortium where she led the policy and public affairs service for 12 years.

Charlotte is passionate about the role housing can play in supporting opportunity for both individuals and communities and is committed to bringing her experience and knowledge to the Board.

## Hannah Underwood
Independent Board member

Hannah is passionate about enabling people to flourish and brings extensive leadership and business improvement skills through her experience of leading award winning businesses to deliver innovation and growth. Hannah has a strong interest in supporting youth projects to empower young people in the region, which help raise potential for them to meet their aspirations. She is a member of the Finance & Development and Audit & Risk Committees.

With a 'social heart', Hannah is passionate about sustaining strong communities and is committed to adding value to Livin's mission through exploring and considering wider social and economic issues and their impact on housing.

# Leadership and Governance

| Board member | Date of retirement |
| --- | --- |
| Sheila Rooney | 31 July 2021 |
| Gillian Stacey | 13 September 2021 |

## Board Attendance

The table below shows each Board member's attendance of the Board and Committee meetings they were able to attend during the financial year:

| Board Member | Board | Performance Board | Audit and Risk | Finance and Development | Housing and Assets | HR and Remuneration |
|---|---|---|---|---|---|---|
| Alan Fletcher | 9/10 | 4/4 | | 3/4 | 3/4 | 5/5 |
| Kevin Thompson | 7/10 | 4/4 | 3/4 | | 3/4 | |
| Adele Barnett | 8/10 | 4/4 | 2/2 | | 4/4 | 3/5 |
| Oliver Colling | 10/10 | 4/4 | 4/4 | 4/4 | | |
| Dennis Bradley | 10/10 | 4/4 | 2/2 | 4/4 | 2/2 | 5/5 |
| Charlotte Harrison | 6/10 | 4/4 | | 4/4 | | 4/5 |
| Norman Rollo | 10/10 | 4/4 | 3/4 | | 3/4 | 5/5 |
| Sheila Rooney | 10/10 | 4/4 | 3/4 | | 2/2 | |
| Hannah Underwood | 9/10 | 4/4 | 4/4 | 4/4 | | |
| Gillian Stacey | 10/10 | 4/4 | | 3/4 | 4/4 | |

The Executive Directors are the Chief Executive and other members of the Association's executive management team. They hold no interest in the Association's shares and act as Executives within the authority delegated by the Board.

The Association has insurance policies which indemnify Board members and staff against liability when acting for the Association.

# Regulatory Judgement and Financial Viability Review

During the financial year the Regulator of Social Housing conducted an In Depth Assessment and concluded in the following regulatory judgements on Livin (December 2020):

**Viable (V1)**

The provider meets the requirements on viability set out in the Governance and Financial Viability standard and has the capacity to mitigate its exposures effectively.

**Properly Governed (G1)**

The provider meets the requirements on governance set out in the Governance and Financial Viability standard.

## Risks and uncertainties

In accordance with the Regulator of Social Housing's Governance and Financial Viability Standard, the Board of Livin retains ultimate responsibility for ensuring that an effective risk management framework is in place. Structured reporting processes ensure that the Board receives a quarterly update on key risks facing the organisation, takes risk management considerations into account when making key decisions, and reviews the effectiveness of the risk management framework on an annual basis.

## Our Risk Appetite

Risk Appetite is defined as the level of risk the organisation is prepared to accept in the pursuit of its strategic objectives.

Livin is a not-for-profit organisation with the principal purpose of providing housing and services for

people in necessitous circumstances. The Board, as custodians of Livin's social housing assets, acknowledges the need to maintain a long-term perspective when managing risk and not to put short-term gain ahead of the long-term viability of the business.

The Board acknowledges that different risk appetites can exist across a range of key areas. Some types of risk pose a threat to the long-term viability of its business and the Board will seek to reduce the risk score of identified risks in these areas. Our strategic risk scores are compared to our risk appetite on a regular basis to ensure that business decisions aligned to the level of risk agreed by Board.

## Strategic Risk Register

The Audit and Risk Committee take an active role in scrutinising the organisation's Strategic Risk Register, considering the adequacy of the controls in place to manage these risks and the outcomes.

The key strategic risks considered by Livin's Audit and Risk Committee on 29 April 2021 are set out in the table below.

| Key risk | Key controls in place, and actions being undertaken |
|---|---|
| **Failure to deliver a Brilliant Customer Experience** | **We seek our tenants' views, and look to support them, through**<br>• Customer Experience Strategy<br>• Customer Voice Strategy<br>**We monitor our performance through:**<br>• Customer satisfaction surveys<br>• Review of Complaints received<br>• Transactional analysis of service provided |
| **Inconsistent use of data to inform business decisions** | **We are working to improve our data quality through:**<br>• Driving improved data integrity, particularly focusing on areas highlighted in the Charter for Social Housing Tenants<br>• Focusing on meaningful data collection<br>• Documenting data usage in accordance with data protection requirements<br>**We monitor this through:**<br>• Data quality audits<br>• Internal audit reviews |
| **Traditional and reactive tenancy management offer** | **We develop our service offer ensuring we:**<br>• Monitor and respond to demand, satisfaction and turnover data<br>• Develop additional tenancy support services, particularly for more vulnerable tenants<br>• Align our services with the Regulator of Social Housing's Consumer Standards and the Charter for Social Housing Tenants |
| **Stagnant Customer Base** | **We seek to mitigate this risk through:**<br>• Monitoring and responding to void, re-let and satisfaction data<br>• Understanding our target market<br>• Improving customer experience and the efficiency of the customer journey |

| Key risk | Key controls in place, and actions being undertaken |
|---|---|
| **Failure of major third party contractor (Property Services)** | **Key controls include:**<br>• Ongoing financial and performance monitoring and liaison<br>• Retained procurement advisors<br>• Business Continuity Plans in place<br>• Insurance cover |
| **Economically and socially failing communities** | **We seek to identify appropriate resources to support communities through:**<br>• Targeted regeneration programmes<br>• Building a range of partnerships which maximise funding opportunities<br>• Developing Community Plans built on sound business intelligence<br>• Employability support through our Livin Futures programme |
| **Building and acquiring homes targets are not aligned to the demand for social housing** | **We seek to understand the markets we operate in through:**<br>• Robust financial, demographic and market analysis of all proposed sites using third party intelligence;<br>• Maintaining close links between the Development and Housing teams to understand local demand and needs<br>**We monitor our performance through:**<br>• Robust contract management processes for developments<br>• Regular Board/Committee reporting on progress of all developments |
| **Failure of a contractor causes disruption to the delivery or costs of the development programme** | **We seek to mitigate this risk through:**<br>• Thorough financial checks on prospective contractors<br>• Detailed monitoring of financial viability of existing contractors<br>• Specialist procurement advice and support where appropriate |
| **Failure to prevent a cyber-attack** | **Key controls include:**<br>• Robust IT security policies and protocols<br>• Access to systems restricted by role and controlled by multifactor authentication, where appropriate<br>• Robust monitoring processes to identify attempted attacks<br>• Regular training and awareness campaigns for all employees |

| Key risk | Key controls in place, and actions being undertaken |
|---|---|
| **Costs rise at a greater rate, relative to income, than anticipated** | **Key controls include:**<br>• Robust budgetary and cash flow management processes<br>• Stress testing undertaken on all areas of the business plan to ensure business resilience, including planned mitigations<br>• Robust scrutiny of quarterly management accounts by Finance & Development Committee as well as by the Board<br>• Governance framework enabling an effective decision making process<br>• Long term financing arrangements in place |
| **Value for Money not delivered or demonstrated** | **We continue to embed VfM across the organisation, through:**<br>• Value for Money objectives within the Business Strategy and Performance Management Framework<br>• Embedding VfM considerations in our budgeting, procurement and performance management processes |
| **Corporate governance processes do not meet external expectations or internal needs** | **Our current control environment includes:**<br>• Annual review of compliance against the Regulator of Social Housing's regulatory standards, NHF Code of Governance and NHF Code of Conduct<br>• Annual probity report to Board<br>• Structured Board reporting, including robust risk management processes<br>• Annual Statement of Internal Control considered and approved by the Board<br>• Structured programme of internal and external audit, which includes internal audit reviews of core governance processes |

| Key risk | Key controls in place, and actions being undertaken |
|---|---|
| **Landlord Health and Safety Obligations are not effectively managed** | **We monitor our compliance with legislation and best practice through:**<br>• Regular inspections of our properties, including gas safety checks, electrical inspections and monitoring of asbestos materials<br>• Regular inspections of communal areas and flat blocks, including fire safety assessments, undertaken by NEBOSH qualified individuals<br>• Regular re-inspections of a sample of safety checks by third parties, to ensure that the quality of our internal checks remains high<br>**The board assures itself of compliance through:**<br>• Regular compliance reports to the Board, the Housing and Assets Committee and the Audit & Risk Committee<br>• Internal audit reviews and other external reviews of Health and Safety processes |
| **Economic downturn, combined with impact of Universal Credit, significantly affects tenant income, leading to increase in rent arrears** | **Our current control environment includes:**<br>• Monitoring and analysing trends in rent arrears to enable us to target our support appropriately<br>• Modifying and enhancing support processes based on feedback from tenants<br>• Working closely with Durham County Council and other local bodies to understand and address emerging risks and support needs<br>**Our support offer to tenants includes:**<br>• Specialist staff able to provide welfare benefits advice<br>• Pre-tenancy support to help prospective tenants understand whether they can afford a tenancy<br>• Support to access grants and services |
| **Inability to meet decarbonisation aspirations and targets** | **We are developing our organisational response to this emerging risk area through:**<br>• Developing a Planet A strategy<br>• Developing a sustainable funding plan for retrofitting properties<br>• Engaging with tenants and the workforce to encourage a focus on sustainability |

## Credit Risk

Our principal credit risk relates to tenant arrears. This risk is managed by providing support to eligible tenants with their application for Housing Benefit or Universal Credit and by closely monitoring the arrears of self-funding tenants. We borrow and lend only in sterling and so are not exposed to foreign currency exchange rate risk.

## Going concern

Our business activities, current financial position and factors likely to affect our future development are set out within this Strategic Report. We have in place long-term debt facilities (including £26 million of undrawn facilities at 31 March 2021 and an additional £25m available on deferred draw down via 3 tranches from March 2022 to September 2023), which provide adequate resources to finance committed property acquisitions and development programmes, along with day to day operations. Our ability to service these debt facilities and comply with lenders' covenants is monitored through cashflow forecasts, quarterly budget and Golden Rules reports to the Finance and Development Committee and Board, and the long-term business plan. Recent reports confirmed that we are in compliance with our loan covenants at the Statement of Financial Position date and the Board expects to remain compliant in the foreseeable future.

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

## Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the overall system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the association is on-going and has been in place throughout the period commencing 1 April 2020 up to the date of approval of the report and financial statements.

**Key elements of the control framework include:**

- Adoption of and compliance with the NHF Code of Governance: Promoting Excellence in Governance (2015 Edition)
- Forward planning of key meeting dates and reporting requirements which are reviewed annually
- Board approved terms of reference and delegated authorities for the Audit and Risk, Housing and Assets, Finance and Development and Human Resources and Remuneration Committees
- Board approved detailed financial regulations and a scheme of delegation for the Chief Executive and Executive Directors
- Clearly defined management responsibilities for the identification, assessment, ownership and management, and evaluation and control of significant risks
- Robust strategic and business planning processes, with detailed financial budgets and forecasts
- Formal recruitment, retention, training and development policies for all staff
- Business continuity arrangements including planning and testing

- Established authorisation and appraisal procedures for significant new initiatives and commitments
- A strategic approach to treasury management which is subject to external review each year
- Regular reporting to the appropriate committee on key business objectives, targets and outcomes
- Board approved whistle-blowing policy
- Audit and Risk Committee approved anti-fraud and corruption policies, covering prevention, detection and reporting, together with recoverability of assets
- Regular monitoring of loan covenants and requirements for new loan facilities

A fraud register is maintained and any identified frauds are reported to the Audit and Risk Committee on a quarterly basis.

The Board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the Audit and Risk Committee to regularly review the effectiveness of the system of internal control. The Board receives Audit and Risk Committee meeting minutes and where applicable would initiate follow up actions. The Audit and Risk Committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for the Association, and the annual report of the internal auditor, and has reported its findings to the Board.

Our internal audit service was delivered by TIAA Limited and internal audit arrangements continued to work well. The recommendations made on all reports have been reviewed and action plans have been established to ensure that they are all implemented. Internal audit work not only focuses on reviewing controls and risks but also on adding value by making best practice recommendations.

## National Housing Federation (NHF) Code of Governance 2015

We have adopted the National Housing Federation's Code of Governance: Promoting Excellence in Governance (2015 Edition), and considers compliance against this Code annually. This fulfils the requirement of the Regulator of Social Housing's Governance and Financial Viability Standard to "adopt and comply with an appropriate code of governance". In addition, we have adopted the National Housing Federation's Code of Conduct 2012, and again considers compliance against this Code on an annual basis.

One area of non-compliance with the Code of Governance has arisen after the year end. Section D9 of the Code of Governance requires an appraisal process to be carried out with Board and Committee members at least every two years. The previous appraisal process was completed in July 2019 with the new appraisal scheduled for completion in July 2021.

In April 2021, our Chief Executive announced his retirement and the Board decided to prioritise the recruitment of a new Chief Executive ahead of its own appraisal. In doing so it agreed to postpone its appraisal process until January 2022. In the meantime, a programme of learning and development for Board members continues.

Other than in this matter, the Board considers that it is compliant with these Codes at the date of signature of these financial statements.

## National Housing Federation (NHF) 2020 Code of Governance

The Board have agreed to adopt the 2020 Code of Governance with a target date for full compliance of 31 March 2022.

## Compliance with the Regulator of Social Housing Standard: Governance and Financial Viability

The Board considers the adequacy of its governance arrangements on an ongoing basis, and specifically considered its compliance with the Governance and Financial Viability Standard at its meeting on 15 July 2021 and again at the date of signature of the financial statements. The Board has concluded that the organisation complies with the standard.

## Statement of the responsibilities of the Board for the report and financial statements

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

Co-operative and Community Benefit Societies legislation requires the board to prepare financial statements for each financial year. Under that law the Board Members have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102. Under Co-operative and Community Benefit Societies legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association for that period.

In preparing those financial statements the Board is required to:

- Select suitable accounting policies and apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing

and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Annual general meeting

The annual general meeting will be held on 23 September 2021.

## Disclosure of information to auditors

At the date of making this report each of the Association's Board members, as set out on page 4, confirm the following:

- So far as each Board member is aware, there is no relevant information needed by the Association's auditors in connection with preparing their report of which the Association's auditors are unaware; and
- Each Board member has taken all the steps that he/she ought to have taken as a Board member in order to make themselves aware of any relevant information needed by the Association's auditors in connection with preparing their report and to establish that the Association's auditors are aware of that information

## External auditors

In September 2017, Beever and Struthers were appointed as auditors on a three year contract, with an optional two year extension. This two year extension was invoked in April 2020.

## Statement of compliance

In preparing this Strategic Report and Board report, the Board has followed the principles set out in the SORP 2018.

The Strategic and Board report was approved by the Board on 23 September 2021 and signed on its behalf by:

**Alan Fletcher**
Chair

# Independent Auditor's Report to the Members of Livin Housing Limited

## Opinion

We have audited the financial statements of Livin Housing Limited ('the Association') for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 2. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 Association's affairs as at 31 March 2021 and of its income and expenditure 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 Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

## Basis for opinion

We 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 Association'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 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 Strategic Report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- the Association has not maintained a satisfactory system of control over transactions; or
- the Association has not kept proper accounting records; or
- the Association's financial statements are not in agreement with 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 Board's Responsibilities set out on page 40, 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 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 Association or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

# Independent Auditor's Report to the Members of Livin Housing Limited

## Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws, regulations and guidance that affect the Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws, regulations and guidance that we identified included the Co-operative and Community Benefit Societies Act 2014, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, tax legislation, health and safety legislation, and employment legislation
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period
- The risk of fraud and non-compliance with laws and regulations were discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Association's activities
- We reviewed financial statements disclosures and supporting documentation to assess compliance with relevant laws and regulations discussed above
- We enquired of the Board about actual and potential litigation and claims
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

## Use of our report

This report is made solely to the Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it 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 for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

**Beever and Struthers**
Statutory Auditor
St George's House
215-219 Chester Road
Manchester
M15 4JE

Date: 24 September 2021

## Livin Housing Limited
## Statement of Comprehensive Income (Restated)
For the year ended 31 March 2021

| | Note | | 2021 | | 2020 |
|---|---|---|---|---|---|
| | | | £'000 | | £'000 (Restated) |
| **Turnover** | 3 | | **35,365** | | **35,522** |
| | | | | | |
| Operating costs | 3 | | (25,375) | | (27,429) |
| | | | | | |
| **Operating surplus (before housing sales and other income)** | | | **9,990** | | **8,093** |
| | | | | | |
| Gain on disposal of property, plant and equipment | 6 | | 578 | | 1,154 |
| Other Income | 3a | | 241 | | 321 |
| | | | | | |
| **Operating surplus** | | | **10,809** | | **9,568** |
| Interest receivable and Other Income | 7 | | 21 | | 29 |
| Interest payable and similar charges | 8 | | (3,118) | | (3,103) |
| Unrealised (loss) on the revaluation of investment properties | 14 | | (224) | | (374) |
| **Surplus on ordinary activities before taxation** | | | **7,488** | | **6,120** |
| | | | | | |
| Tax on ordinary activities | | | - | | - |
| | | | | | |
| **Surplus for the year** | | | **7,488** | | **6,120** |
| | | | | | |
| Actuarial (loss) in respect of pension schemes | 9 | | (3,730) | | (180) |
| | | | | | |
| **Total comprehensive income for the financial year** | | | **3,758** | | **5,940** |

The accompanying notes form part of these financial statements.

All activities of the Association are classed as continuing.

Historical cost surpluses and deficits were identical to those shown in the Statement of Comprehensive Income account.

The financial statements were approved and authorised for issue by the Board of Directors on 23rd September 2021 and were signed on its behalf by:

**Alan Fletcher**
**Chair**

**Kevin Thompson**
**Vice chair**

**Sean Brodie**
**Secretary**

# Statement of Changes in Reserves

For the year ended 31 March 2021

| | Income and expenditure reserve | Revaluation reserve | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Balance as at 31 March 2019 | 27,271 | 6,785 | 34,056 |
| Transfer between reserves | 44 | (44) | - |
| Actuarial loss on pension scheme | (180) | - | (180) |
| Surplus/(Deficit) for the year | 6,494 | (374) | 6,120 |
| Balance as at 31 March 2020 | 33,629 | 6,367 | 39,996 |
| Transfer between reserves | 228 | (228) | - |
| Actuarial loss on pension scheme | (3,730) | - | (3,730) |
| Surplus for the year | 7,488 | - | 7,488 |
| Balance as at 31 March 2021 | 37,615 | 6,139 | 43,754 |

The accompanying notes form part of these financial statements.

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | £'000 | £'000 |
| **Tangible fixed assets** | | | |
| Housing properties | 11 | 163,255 | 143,868 |
| Other tangible fixed assets | 12 | 3,717 | 3,716 |
| Investments | 13 | 4 | 4 |
| Investment Properties | 14 | 7,305 | 7,405 |
| | | 174,281 | 154,993 |
| **Current assets** | | | |
| Stock | 15 | - | 148 |
| Debtors | 16 | 3,436 | 3,541 |
| Cash at bank and in hand | 17 | 3,372 | 3,602 |
| | | 6,808 | 7,291 |
| **Creditors: Amounts falling due within one year** | 18 | (5,691) | (3,927) |
| **Net current assets** | | 1,117 | 3,364 |
| **Total assets less current liabilities** | | **175,398** | **158,357** |
| **Creditors:** Amounts falling due after more than one year | 21 | 119,204 | 110,271 |
| **Provisions for liabilities** | | | |
| Defined benefit pension liability | 9 | 12,440 | 8,090 |
| | | 131,644 | 118,361 |
| **Capital and reserves** | | | |
| Income and expenditure reserve | | 37,615 | 33,629 |
| Revaluation reserve | | 6,139 | 6,367 |
| **Total Reserves** | | 43,754 | 39,996 |
| | | **175,398** | **158,357** |

The accompanying notes form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 23rd September 2021 and were signed on its behalf by:

**Alan Fletcher**
**Chair**

**Kevin Thompson**
**Vice chair**

**Sean Brodie**
**Secretary**

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | £'000 | £'000 |
| **Net cash generated from operating activities** | 26 | 18,303 | 13,030 |
| | | | |
| **Cash flow from investing activities** | | | |
| Purchase and refurbishment of tangible fixed assets | | (25,931) | (21,591) |
| Proceeds from sale of tangible fixed assets | | 929 | 1,941 |
| Grants received | | 3,332 | 8,501 |
| Interest received | | 7 | 18 |
| | | (21,663) | (11,131) |
| **Cash flow from financing activities** | | | |
| Interest paid | | (2,870) | (2,970) |
| New secured loans | | 6,000 | 2,000 |
| Repayments of borrowings | | - | - |
| | | 3,130 | (970) |
| | | | |
| **Net change in cash and cash equivalents** | | (230) | 929 |
| **Cash and cash equivalents at beginning of the year** | | 3,602 | 2,673 |
| **Cash and cash equivalents at end of the year** | | 3,372 | 3,602 |

The accompanying notes form part of these financial statements.

# 1 Legal status

The Association is registered in England under the Co-operative and Community Benefit Societies Act 2014 and is a registered provider of social housing. The registered office is Farrell House, Arlington Way, DurhamGate, Spennymoor, County Durham, DL16 6NL.

Livin owns 100% of the ordinary share capital (£1) of Livin Developments Limited (Registered Company No: 10474352). This subsidiary did not trade during the year and was dormant at 31 March 2021.

# 2 Accounting Policies

## Basis of accounting

The financial statements are prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

The financial statements are presented in Sterling (£) and are rounded to the nearest thousand (£000).

The Association is a Public Benefit Entity (PBE) and has applied the provisions for FRS102 specifically applicable to PBEs.

Livin holds a share in a joint venture, Spirit Regeneration and Development Co LLP. This interest has been disclosed as an investment in these accounts.

## Going Concern

The Association's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. Livin has long term debt facilities in place which provide adequate financial resources for reinvestment and development programmes along with financial cover for day to day operations. Livin also has a 30 year business plan which shows it is able to service these debt facilities whilst continuing to comply with lenders' covenants. The Board has considered the impact of COVID-19 in its assessment of going concern and has concluded that there is no material uncertainty around going concern for the Association.

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

## Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates.

Significant management judgements include:

### *Financial instruments*

Livin Housing Limited has put in place Facility Agreements with a portfolio of lenders, for the purposes of funding its stock improvement and new development programmes.

The Association has accounted for these loan instruments on the amortised cost basis.

### *Impairment*

Livin Housing Limited considers whether indicators of impairment exist in relation to tangible assets. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value less costs to sell or its value in use.

COVID-19 triggered an impairment review for 19/20, however the review did not identify any material impairment.

### *Estimation uncertainty*

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

### *Useful life of depreciable assets*

Management reviews its estimate of useful economic lives of depreciable assets at each reporting date. Uncertainties in these estimates may relate to changes in technology and decent homes standards which may impact on the depreciation rate used.

### *LGPS -Defined Benefit Obligation (DBO)*

The actuaries' estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate, property values and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in note 9).

### *Fair value measurement*

Livin carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. There has been a reduction of £100,000 in fair value during the year.

Management uses valuation techniques to determine the fair value of investment properties (where active market valuations are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the asset. However, there is still a high level of uncertainty in how COVID-19 will impact future market valuations.

Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices.

### Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment.

### Turnover

Turnover represents rental income receivable for the period (i.e. rent due (rent debit) less rent loss due to voids), service charges receivable, any revenue grants receivable, amortised capital grant, revenue grant received from Homes England and local authorities, income from shared ownership first tranche sales and other properties developed for outright sale and income from any other goods or services included at invoiced value (excluding VAT where recoverable) and commission on water rates collection.

### Revenue Recognition

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Revenue grants are recognised when the conditions for receipt of agreed grant funding have been met.

### Service Charges

Service charge income and costs are recognised on an accruals basis. Livin operates variable service charges on a scheme by scheme basis in full consultation with residents. The charges include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

### Social Housing Grant

Social Housing Grant (SHG) includes grant receivable from Homes England, local authorities and other government organisations.

Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land), under the accruals model.

SHG due from government organisations or received in advance is included as a current asset or liability.

SHG received in respect of revenue expenditure is recognised as turnover in the same period as the expenditure to which it relates, once reasonable assurance has been given that Livin will comply with the conditions and that the funds will be received.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in the Statement of Comprehensive Income.

SHG is subordinated to the repayment of loans by agreement with the RSH. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the Statement of Financial Position in creditors.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the individual component is released to the Statement of Comprehensive Income. Upon disposal of the associated property, the Association is required to recycle these proceeds, as such a contingent liability is disclosed to reflect this.

### Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

### Website development costs

The Association has developed an app and website which is used to promote its activities and as a management tool for monitoring and evaluating responsive repairs. Planning, design and content development costs are charged as operating costs as incurred. Ongoing costs of maintaining and operating the app and website are also charged as operating costs as incurred.

### Housing properties and other fixed assets

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs, incidental costs of acquisition and directly attributable development administration costs. Cost also includes expenditure on the replacement of key building components incurred as part of the planned improvement programme.

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

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element is classed as a fixed asset and included in housing properties at cost, less any provision for depreciation or impairment.

Where expenditure is incurred on an asset which does not meet the definition of capital expenditure, such as general repairs to the housing stock, it will be charged to the Statement of Comprehensive Income in the year in which it is incurred.

Any single repair costing £1,000 or more will be separately assessed to determine whether capitalisation is appropriate.

The Association will not capitalise expenditure on assets such as land, equipment and computer software which costs less than the following de-minimus thresholds and it will be charged to the Statement of Comprehensive Income in the year in which it is incurred.

| Asset | |
|---|---|
| Land | £ 1,000 |
| Office equipment and furniture | £10,000 |
| Computer equipment and software | £ 5,000 |
| Vehicles and plant | £10,000 |

Properties held on leases are amortised over the life of the lease or the estimated useful economic life, if shorter.

## Assets under construction

Housing properties under construction are stated at cost. Cost includes the cost of acquiring land and buildings, development costs, and expenditure incurred in respect of improvements.

No depreciation is charged during the period of construction.

## Depreciation of tangible fixed assets

Depreciation charges reflect the write down of the net book value of fixed assets to their estimated residual value over their estimated useful lives, on a straight-line basis. No depreciation is charged for land.

The following useful economic lives for identified components have been applied:

| Fixed Asset Classification | Asset Life |
|---|---|
| New Build Property Structure | up to 100 years |
| Existing Structure | 50 years |
| Kitchens | 20 years |
| Bathrooms | 30 years |
| Central Heating | 20 years |
| Roofing and External Works | up to 50 years |
| Rewiring Works | 30 years |
| Doors and Windows | 40 years |

| Other Fixed Assets | |
|---|---|
| Office Equipment and Furniture | 5 years |
| Computer Equipment | 3 years |
| Offices | 50 years |

## Impairment

Housing properties are assessed annually for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed the recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as operating expenditure. Where an asset is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

## Leased assets

Rentals payable under operating leases will be charged on a straight line basis over the term of the lease.

## Properties for sale

Shared ownership first tranche sales, completed properties for outright sales and properties under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

## Provision for liabilities

Provisions are recognised when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that the Association will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at the present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in the Statement of Comprehensive Income in the period it arises.

A provision is recognised for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

## Fixed asset Investments

Investment properties consist of commercial properties and other properties not held for the social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in the Statement of Comprehensive Income.

## Pensions

The Association participates in the Durham County Council Local Government Pension Scheme, which is a defined benefit final salary scheme. The assets of the scheme are invested and managed independently of the Association.

Pension costs are assessed in accordance with the advice of an independent qualified actuary. For the Durham County Council Local Government Pension Scheme, assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the Statement of Financial Position. A net surplus is recognised only to the extent it is recoverable by the Association.

The current service cost and costs from settlement and curtailments are charged against operating surplus. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs. Actuarial gains and losses are reported in other comprehensive income.

## Rental arrears

A provision for bad and doubtful debts is made on an estimation of those debts at the Statement of Financial Position date which are considered to be potentially irrecoverable.

## Value Added Tax (VAT)

The Association is VAT registered, but the majority of its income (from rents) is classified as an exempt supply for VAT purposes. Payments that are subject to VAT (Input VAT) that cannot be re-claimed are, therefore, recorded inclusive of the irrecoverable VAT. The balance of VAT payable or recoverable at the year end is included as a current liability or asset respectively.

## Development agreement

The Association has entered into agreements with Durham County Council (the Council) whereby the undertaking of catch up repairs and improvement works remained with the Council with that obligation subcontracted to the Association. The contract was for a fixed sum of £248.694m equal to the expected costs of the work. At transfer, the Association contracted with the Council to acquire the benefit of the Council's obligation to carry out the refurbishment works.

## Right to Buy and Right to Acquire Sales

The gains or losses on disposal of Social Housing Properties under Right to Buy or Right to Acquire arrangements are calculated as being the difference between the proceeds of a sale of a property and the net book value of that property.

The gains or losses on disposal of Right to Buy or Right to Acquire Social Housing Properties are recognised in the Statement of Comprehensive Income at the date of legal completion after deducting the element of proceeds that is payable to the local authority under the Right to Buy sharing arrangement.

## Financial instruments

Financial Instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Basic Financial instruments are recognised at amortised historic cost.

## Debtors

Short term debtors are measured at transaction price less any impairment.

## Creditors

Short term creditors are measured at the transaction price.

## Annual leave accrual

A liability is recognised to the extent of unused holiday pay entitlement which has accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

## Interest

Interest payable is charged to the Income and Expenditure account in the year.

## Loan finance issue costs

These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, less capitalised issue costs of debt. Where loans are redeemed during the year, any redemption penalty and any connected loan finance costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

## Liquid resources

For the purposes of the Cash Flow Statement, cash comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand. Liquid resources are current asset investments that are readily disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying values.

## Taxation

The Association has charitable status and therefore is outside the scope of Corporation Tax on its charitable activities by virtue of Part 11 Corporation Tax Act 2010 and from capital gains tax by virtue of Section 256 Taxation of Chargeable Gains Act 1992.

## Reserves

Livin establishes restricted reserves for specific purposes where their use is subject to external restrictions.

## Revaluation reserve

The difference on transition between the fair value of investment properties and the historical cost carrying value is credited to the revaluation reserve.

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

| | 2021 Turnover £ '000 | Operating costs £ '000 | Operating surplus £ '000 |
|---|---|---|---|
| **Social housing lettings** | 34,021 | (25,238) | 8,783 |
| | | | |
| **Other social housing activities** | | | |
| Garage lettings | 642 | (81) | 561 |
| ESF Project | 10 | (11) | (1) |
| | | | |
| **Non-social housing activities** | | | |
| Lettings | 239 | (45) | 194 |
| Other Income | 453 | (0) | 453 |
| | | | |
| **Total** | **35,365** | **(25,375)** | **9,990** |

| | 2020 Turnover £ '000 | Operating costs £ '000 | Operating surplus (restated) £ '000 |
|---|---|---|---|
| **Social housing lettings** | 33,082 | (26,372) | 6,710 |
| | | | |
| **Other social housing activities** | | | |
| First tranche low cost home ownership sales | 925 | (761) | 164 |
| Garage lettings | 656 | (217) | 439 |
| ESF Project | 10 | (11) | (1) |
| | | | |
| **Non-social housing activities** | | | |
| Lettings | 247 | (68) | 179 |
| Other Income | 602 | - | 602 |
| | | | |
| **Total** | **35,522** | **(27,429)** | **8,093** |

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

| Particulars of income and expenditure from social housing lettings | General needs housing | Housing for elderly | Low cost home ownership | 2021 Total | 2020 Total |
|---|---|---|---|---|---|
| | £ '000 | £ '000 | £ '000 | £ '000 | £ '000 |
| Rent receivable net of identifiable service charges | 22,529 | 10,991 | 128 | 33,648 | 32,755 |
| Service income | 70 | 1 | - | 71 | 70 |
| **Net rental income** | **22,599** | **10,992** | **128** | **33,719** | **32,825** |
| Other income (grant amortisation) | 198 | 104 | - | 302 | 257 |
| **Turnover from social housing lettings** | **22,797** | **11,096** | **128** | **34,021** | **33,082** |
| Management and support services | (6,612) | (3,503) | - | (10,115) | (9,925) |
| Service charge cost | (69) | (5) | - | (74) | (86) |
| Routine maintenance | (6,203) | (1,445) | - | (7,648) | (8,569) |
| Planned maintenance | (510) | (267) | - | (777) | (793) |
| Major repairs expenditure | (109) | (57) | - | (166) | (391) |
| Bad debts | (104) | (54) | - | (158) | (213) |
| Depreciation of housing properties | (3,907) | (2,072) | (56) | (6,035) | (5,937) |
| Impairment | - | - | - | - | (115) |
| Payment to Durham County Council (VAT sharing agreement) | (157) | (82) | - | (239) | (318) |
| Other costs | (17) | (9) | - | (26) | (25) |
| **Operating costs on social housing lettings** | **(17,688)** | **(7,494)** | **(56)** | **(25,238)** | **(26,372)** |
| **Operating surplus on social housing lettings** | **5,109** | **3,602** | **72** | **8,783** | **6,710** |
| **Void losses** | **629** | **172** | **-** | **801** | **691** |

| Particulars of income and expenditure from social housing lettings | 2021 | 2020 |
|---|---|---|
| | £ '000 | £ '000 |
| Commercial properties | 199 | 199 |
| Other | 40 | 48 |
| | 239 | 247 |

## 3a Prior Year Adjustment

In previous years VAT shelter income had been classified as Interest receivable and other income and disclosed in note 7. This has now been reclassified as Other Income with £241,202 (2020 £321,339) included in Operating Surplus.

## 4 Accommodation in management and development

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

| | 2020 | Additions | Disposals | Other | 2021 |
|---|---|---|---|---|---|
| | No. | No. | No. | No. | No. |
| **Social housing** | | | | | |
| General housing | | | | | |
| - social rent | 7,100 | 2 | (61) | 17 | 7,058 |
| - affordable rent | 1,301 | 83 | - | (14) | 1,370 |
| - shared ownership | 24 | - | (3) | (5) | 16 |
| - intermediate rent | 33 | - | - | (3) | 30 |
| | | | | | |
| **Total owned and managed** | **8,458** | **85** | **(64)** | **(5)** | **8,474** |
| | | | | | |
| **Units under construction** | | | | | |
| General needs affordable rent | 295 | | | | 217 |
| General needs housing social rent | - | | | | 15 |
| Low cost home ownership | 5 | | | | - |
| **Total units under construction** | **300** | | | | **232** |

## 5 Operating surplus

The operating surplus is arrived at after charging:

| | 2021 | 2020 |
|---|---|---|
| | £ '000 | £ '000 |
| Depreciation of housing properties | 6,035 | 5,937 |
| Depreciation of other tangible fixed assets | 174 | 130 |
| Impairment of social housing assets | - | 115 |
| | | |
| Gain on disposal of property, plant and equipment | 578 | 1,154 |
| | | |
| Operating lease rentals | | |
| - land and buildings | 10 | 5 |
| - office equipment and computers | 47 | 44 |
| - motor vehicles | 22 | 24 |
| | | |
| Auditors' remuneration (excluding VAT) | | |
| - for audit services | 20 | 18 |
| - tax compliance services | - | 2 |
| - other services | 2 | 2 |
| Total non-audit services | 2 | 4 |

## 6 Gain on disposal of property, plant and equipment

| | RTB/RTA | Other disposals | 2021 Total | 2020 Total |
|---|---|---|---|---|
| | £ '000 | £ '000 | £ '000 | £ '000 |
| Disposal proceeds | 718 | 368 | 1,086 | 2,253 |
| Less administration charges | (37) | - | (37) | (64) |
| Less amount payable to Durham County Council | (120) | - | (120) | (264) |
| Net disposal proceeds | 561 | 368 | 929 | 1,925 |
| Carrying value of fixed assets | (114) | (240) | (354) | (774) |
| Grant attributable to disposal | - | 42 | 42 | 102 |
| | 447 | 170 | 617 | 1,253 |
| Recycled Capital Grant Fund | - | (39) | (39) | (99) |
| | 447 | 131 | 578 | 1,154 |

## 7 Interest receivable and other operating income (Restated)

| | 2021 | 2020 |
|---|---|---|
| | £ '000 | £ '000 |
| Interest receivable | 7 | 18 |
| Other Income | 14 | 11 |
| | 21 | 29 |

VAT shelter income of £241,202 (2020 £321,339) has been reclassified as Other Income and included in Operating Surplus.

## 8 Interest payable and similar charges

| | 2021 | 2020 |
|---|---|---|
| | £ '000 | £ '000 |
| Loans and bank overdrafts | 2,938 | 2,943 |
| Interest costs for pension scheme | 180 | 160 |
| | 3,118 | 3,103 |

# 9 Employees

Average monthly number of employees expressed as full time equivalents (calculated based on a standard working week of 37 hours):

| | 2021 | 2020 |
|---|---|---|
| | No. | No. |
| Administration | 58 | 57 |
| Property and Development | 28 | 28 |
| Housing and Communities | 55 | 50 |
| | 141 | 135 |
| | | |
| Employee costs: | 2021 | 2020 |
| | £ '000 | £ '000 |
| Wages and salaries | 4,932 | 4,483 |
| Social security costs | 506 | 444 |
| Other pension costs | 926 | 580 |
| | 6,364 | 5,507 |

Included in Employee costs are early retirement and voluntary redundancy costs totalling £nil (2020 £53,006).

The Association's employees are eligible to be members of Durham County Council Local Government Pension Scheme (LGPS). Further information is given below.

## Durham County Council Local Government Pension Scheme

Durham County Council Pension Fund (DCCPF)

The DCCPF is a multi-employer scheme, administered by Durham County Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2019 and rolled forward, allowing for different financial assumptions required under FRS 17, to 31 March 2021 by a qualified independent actuary.

The employers' contributions to the DCCPF by the Association for the year ended 31 March 2021 were £926,335 (2020 £580,490) at a contribution rate of 21.3% of pensionable salaries.

Estimated Current service costs to the DCCPF during the accounting period commencing 1 April 2021 are £2,350,000

## The McCloud judgement

The impact of the McCloud judgement has been allowed for these figures. Livin accounted for a potential McCloud liability at the last accounting date (which would have been recognised as a Past Service Cost based on actuary advice), any change in the allowance over the period has been treated as an experience item through Other Comprehensive Income.

# 9 Employees (continued)

The Current Service Cost includes a prospective allowance for McCloud liabilities of 1.04% of Pensionable Pay over the accounting period.

| **Financial assumptions** | | |
|---|---|---|
| | **31 March 2021 % per annum** | **31 March 2020 % per annum** |
| Discount rate | 2.1% | 2.3% |
| Future salary increases | 3.7% | 2.9% |
| Future pension increases | 2.7% | 1.9% |
| Pension accounts revaluation rate | 2.7% | 1.9% |
| Inflation assumption – CPI | 2.7% | 1.9% |

## Mortality assumptions

The mortality assumptions are based on the recent actual mortality experience of members within the fund and allow for expected future mortality improvements.

| **The assumed life expectations on retirement at age 65 are:** | **2021 No. of Years** | **2020 No. of Years** |
|---|---|---|
| Retiring today: | | |
| - Males | 22.3 | 22.2 |
| - Females | 24.3 | 24.2 |
| Retiring in 20 years: | | |
| - Males | 23.3 | 23.2 |
| - Females | 25.8 | 25.7 |
| | | |
| **Analysis of the amount recognised in surplus or deficit:** | | |
| **Year ended 31 March** | **2021** | **2020** |
| | **£'000** | **£ '000** |
| Current service cost | 1,370 | 1,250 |
| Past service cost | - | 40 |
| Amounts charged to operating costs | 1,370 | 1,290 |

# 9 Employees (continued)

| Year ended 31 March | 2021 | 2020 |
|---|---|---|
| | £'000 | £ '000 |
| Net Interest | 180 | 160 |
| Amounts charged to other finance costs | 180 | 160 |
| | | |
| Remeasurement gain/(loss) recognised on defined benefit pension scheme | (3,730) | (180) |
| | | |
| Actual return on scheme assets | 8,420 | (2,210) |
| | | |
| **Amounts recognised in the statement of financial position** | | |
| **Net pension (liability) at 31 March** | **2021** | **2020** |
| | **£'000** | **£'000** |
| Present value of funded obligation | (54,630) | (41,310) |
| Fair value of scheme assets (bid value) | 42,190 | 33,220 |
| Net (liability) recognised in statement of financial position | (12,440) | (8,090) |

| Reconciliation of opening and closing balances of the present value of scheme liabilities | 2021 | 2020 |
|---|---|---|
| | £'000 | £ '000 |
| Opening scheme liabilities | (41,310) | (42,400) |
| Current service cost | (1,370) | (1,250) |
| Past service cost | - | (40) |
| Interest cost | (950) | (1,050) |
| Contributions by scheme participants | (310) | (260) |
| Remeasurements | (11,380) | 2,920 |
| Benefits paid | 690 | 770 |
| Closing scheme liabilities | (54,630) | (41,310) |

| Reconciliation of opening and closing balances of the fair value of scheme assets | 2021 | 2020 |
|---|---|---|
| | £'000 | £ '000 |
| Opening fair value of scheme assets | 33,220 | 35,370 |
| Remeasurements | 7,650 | (3,100) |
| Interest income | 770 | 890 |
| Contributions by employer | 930 | 570 |
| Contributions by scheme participants | 310 | 260 |
| Benefits paid | (690) | (770) |
| Closing fair value of scheme assets | 42,190 | 33,220 |

## 9 Employees (continued)

| Major categories of plan assets as a percentage of total plan assets | | |
|---|---|---|
| Equities | 55.1% | 47.1% |
| Gilts | 15.9% | 28.5% |
| Bonds | 18.0% | 12.3% |
| Property | 6.3% | 8.1% |
| Cash | 4.7% | 4.0% |

| History of asset values, present value of liabilities and (deficit) / surplus | Year ended 31 March 2021 | Year ended 31 March 2020 |
|---|---|---|
| | £'000 | £'000 |
| Fair value of assets | 42,190 | 33,220 |
| Present value of liabilities | (54,630) | (41,310) |
| (Deficit) / Surplus | (12,440) | (8,090) |

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| **Actual return on scheme assets** | 8,420 | (2,210) |

## 10 Key management personnel

| | Basic salary | Benefits in kind | Pension Contributions | Total 2021 | Total 2020 |
|---|---|---|---|---|---|
| | | | | £'000 | £'000 |
| Board members | 68 | - | - | 68 | 60 |
| Executive directors | 441 | - | 75 | 516 | 450 |

## 10 Key management personnel (continued)

The full time equivalent number of staff who received remuneration, including Directors:

| | 2021 No. of employees | 2020 No. of employees |
|---|---|---|
| £60,001 and £70,000 | 5 | 2 |
| £70,001 and £80,000 | 1 | 2 |
| £80,001 and £90,000 | 4 | 4 |
| £120,001 and £130,000 | - | 2 |
| £130,001 and £140,000 | 1 | - |
| £140,001 and £150,000 | 1 | - |
| £150,001 and £160,000 | - | 1 |
| £160,001 and £170,000 | 1 | - |
| | 13 | 11 |

| Individual Board Members levels of remuneration | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| Alan Fletcher (Chair) | 13 | 13 |
| Kevin Thompson | 7 | 7 |
| Adele Barnett | 7 | 7 |
| Hannah Underwood | 5 | 1 |
| Gillian Stacey until 13.09.2021 | 5 | 5 |
| Oliver Colling | 7 | 7 |
| Dennis Bradley | 7 | 7 |
| Norman Rollo | 7 | 7 |
| Charlotte Harrison | 5 | 5 |
| Sheila Rooney from 01.01.2020 until 31.07.2021 | 5 | 1 |
| | 68 | 60 |

The highest paid Director was the Chief Executive. Their emoluments including an adjustment for FRS 102 annual leave accrual, but excluding pension contributions, were £162,585 (2020 £152,655).

The Chief Executive is a member of the Durham County Council Pension Fund. The pension contributions made during the period were £27,931 (2020 £18,055).

They are an ordinary member of the pension scheme and no enhanced or special terms apply. The Association does not make any further contribution to an individual pension arrangement for this Director.

The number of directors accruing benefits under the pension scheme at 31 March 2021 was 3 (2020: 3).

### Board members

Board remuneration levels and calculations are recommended following the receipt of independent advice and adoption of an appropriate remuneration policy in accordance with Livin's rules and probity policy. Performance assessment is conducted through collective and individual annual appraisal of Board and Role Profiles and contracts for services are agreed with all Board Members to assist in assessing performance.

Board remuneration as a percentage of turnover is 0.2% (2020 0.2%).

## 11 Tangible fixed assets – properties

| Housing properties | Social housing properties held for letting | Non-social housing properties held for letting | Housing properties for letting under construction | Completed Shared Ownership housing properties | Total housing properties |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost** | | | | | |
| At 1 April 2020 | 178,726 | 507 | 7,360 | 1,586 | 188,179 |
| Additions | 7,267 | - | 14,767 | - | 22,034 |
| Works to existing homes | 3,259 | 323 | - | 1 | 3,583 |
| Schemes completed | 2,437 | - | (2,437) | - | - |
| Disposals | (439) | (22) | - | (145) | (606) |
| Transfer between fixed assets | 422 | - | - | (422) | - |
| Transfer from investment/ current assets | - | 11 | - | 148 | 159 |
| At 31 March 2021 | 191,672 | 819 | 19,690 | 1,168 | 213,349 |
| | | | | | |
| **Depreciation and impairment** | | | | | |
| At 1 April 2020 | 44,151 | 85 | - | 75 | 44,311 |
| Charged in year | 5,970 | 9 | - | 56 | 6,035 |
| Transfer between assets | 10 | - | - | (10) | - |
| On disposals | (238) | (1) | - | (13) | (252) |
| At 31 March 2021 | 49,893 | 93 | - | 108 | 50,094 |
| | | | | | |
| **Net Book Value** | | | | | |
| **At 31 March 2021** | 141,779 | 726 | 19,690 | 1,060 | 163,255 |
| | | | | | |
| **At 31 March 2020** | 134,575 | 422 | 7,360 | 1,511 | 143,868 |

The carrying value of assets with restricted title or pledged as security is £111.1m (2020: £71.8m)

| Expenditure on works to existing homes | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| Amounts capitalised as components | 3,259 | 4,396 |
| Amounts charged to the income and expenditure account | 166 | 391 |
| | 3,425 | 4,787 |

## Housing properties book value, net of depreciation and grants

### Impairment

Livin considers individual schemes to be separate Income Generating Properties when assessing for impairment, in accordance with the requirements of Financial Reporting 102 and SORP 2018. An impairment charge of £Nil (2020: £114,723) has been made this year.

| Social housing grant | | |
|---|---|---|
| **Total accumulated social housing grant** | | |
| **Received or receivable at 31 March** | **2021** | **2020** |
| | **£'000** | **£'000** |
| Capital grant | 21,792 | 18,460 |
| Recognised in the Statement of Comprehensive Income | 1,205 | 903 |
| Revenue grant | 7 | 7 |
| | 23,004 | 19,370 |

## 12 Tangible fixed assets – other

| Housing properties | Offices | Computers and office equipment | Total |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| **Cost** | | | |
| At 1 April 2020 | 5,497 | 434 | 5,931 |
| Additions | 50 | 125 | 175 |
| At 31 March 2021 | 5,547 | 559 | 6,106 |
| | | | |
| **Depreciation** | | | |
| At 1 April 2020 | 1,831 | 384 | 2,215 |
| Charged in year | 132 | 42 | 174 |
| At 31 March 2021 | 1,963 | 426 | 2,389 |
| | | | |
| **Net Book Value** | | | |
| | | | |
| At 31 March 2021 | 3,584 | 133 | 3,717 |
| | | | |
| At 31 March 2020 | 3,666 | 50 | 3,716 |

## 13 Investments

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| Investment in Spirit Regeneration and Development LLP | 4 | 4 |

Livin is a member of the Spirit Regeneration and Development Co. LLP. This is an agreement which allows Livin to deliver its development programme in line with Homes England requirements.

Livin owns 100% of the ordinary share capital (£1) of Livin Developments Ltd. The subsidiary did not trade during the year and was dormant at 31 March 2021.

## 14 Investment properties: Non-social housing properties held for letting

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| At 1 April | 7,405 | 7,825 |
| Works to Investment Properties | 139 | 10 |
| Revaluation (loss) / gain | (224) | (374) |
| Disposals | (4) | (28) |
| Transfer | (11) | (28) |
| At 31 March | 7,305 | 7,405 |

Investment properties were valued as at 31 March 2021. The associations' investment properties have been internally valued using a 10% yield by Livin's Land and Property Valuer, who is a member of the Royal Chartered Institute of Surveyors. The full valuation was undertaken in accordance with the appraisal and valuation manual of the Royal Chartered Institute of Surveyors.

## 15 Stock

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| **Shared ownership properties:** | | |
| Completed properties | - | 148 |

## 16 Debtors

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| **Due within one year** | | |
| Rent and service charges receivable | 2,549 | 2,613 |
| Less: provision for bad and doubtful debts | (757) | (668) |
| | 1,792 | 1,945 |
| Trade debtors | 242 | 175 |
| Other debtors | 128 | 65 |
| Social housing grant receivable | 400 | 375 |
| Prepayments and accrued income | 475 | 581 |
| | 3,037 | 3,141 |
| **Due after more than one year** | | |
| Other Debtors | 399 | 400 |
| | 3,436 | 3,541 |

Debtors due after more than one year relates to legal charges held on private dwellings that are situated within a regeneration scheme.

## 17 Cash and cash equivalents

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| Money Market Investments | 3,180 | 3,280 |
| Cash at bank | 192 | 322 |
| | 3,372 | 3,602 |

## 18 Creditors: amounts falling due within one year

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| Overdraft | - | - |
| Debt (note 23) | - | - |
| Trade creditors | 659 | 524 |
| Rent and service charges received in advance | 568 | 454 |
| Deferred Grant Income (note 19) | 398 | 295 |
| Recycled capital grant fund (note 20) | 7 | - |
| Disposal proceeds fund (note 22) | - | - |
| Other taxation and social security | 125 | 119 |
| Other creditors | 402 | 586 |
| Accruals and deferred income | 3,532 | 1,949 |
| | 5,691 | 3,927 |

Included in Other creditors is £241,202 (2020 £322,454) owed to Durham County Council in respect of the VAT shelter.

Included in Accruals is £57,578 (2020 £47,761) relating to holiday balances accrued as a result of services rendered in the current period which employees are entitled to carry forward. The amount is measured as the salary cost payable for the period of absence.

## 19 Deferred capital grant

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| At 1 April | 18,334 | 9,792 |
| Grant received in the year | 3,332 | 8,501 |
| Recycled capital grant | 90 | 38 |
| Disposals proceeds fund | - | 359 |
| Released to income in the year | (302) | (257) |
| Grants disposed during the year | - | - |
| Recycled in the year (note 20) | (39) | (99) |
| At 31 March | 21,415 | 18,334 |

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| Amounts to be released within one year | 398 | 295 |
| Amounts to be released in more than one year | 21,017 | 18,039 |
| | 21,415 | 18,334 |

## 20 Recycled capital grant fund

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| At 1 April | 217 | 155 |
| Grants recycled | 39 | 99 |
| Other adjustments | - | 1 |
| Withdrawals | (90) | (38) |
| At 31 March | 166 | 217 |
| Amount 3 years or older where repayment may be required | 7 | - |

Withdrawals from the Recycled capital grant fund are used for the purchase of housing properties.

## 21 Creditors: amounts falling due after more than one year

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| Debt (note 23) | 99,000 | 93,000 |
| Less debt issue costs | (972) | (985) |
| | 98,028 | 92,015 |
| Deferred Grant (note 19) | 21,017 | 18,039 |
| Recycled capital grant fund (note 20) | 159 | 217 |
| Disposal proceeds fund (note 22) | - | - |
| | 119,204 | 110,271 |

## 22 Disposal Proceeds Fund

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| At 1 April | - | 359 |
| **Inputs to DPF:** | | |
| Funds recycled | - | - |
| Interest accrued | - | - |
| **Use / allocation of funds:** | | |
| New build | - | (359) |
| Other | - | - |
| At 31 March | - | - |

At 31 March 2021, there was £nil (2020 £nil) due for repayment and the fund has been fully utilised in accordance with the Accounting Direction for Private Registered Providers of Social Housing 2019.

## 23 Analysis of changes in net debt

| | At Beginning of the year | Cashflows | Non-Cash Movements | At End of the year |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Due in one year** | | | | |
| Cash and cash equivalents | 3,602 | (230) | - | 3,372 |
| Bank loans | - | - | - | - |
| Private placement | - | - | - | - |
| | 3,602 | (230) | - | 3,372 |
| **Due after more than one year** | | | | |
| Cash and cash equivalents | - | - | - | - |
| Bank loans | (28,000) | (1,000) | - | (29,000) |
| Private placement | (65,000) | (5,000) | - | (70,000) |
| | (93,000) | (6,000) | - | (99,000) |
| | | | | |
| **Net Debt** | **(89,398)** | **(6,230)** | **-** | **(95,628)** |

### Security

The bank loans and private placement debt are secured by fixed charges on individual homes.

### Terms of repayment and interest rates

The interest rates payable on the bank loans and private placements range between 0.824% and 3.207%. The percentage of loans at fixed rates of interest was 86% at the year end.

At 31 March 2021 the Association had available further bank loan facilities of £26m (2020 £27m). Based on the lender's earliest repayment date, borrowings are repayable as follows:

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| Within one year or on demand | - | - |
| Between two and five years | 4,000 | 3,000 |
| Five years or more | 95,000 | 90,000 |
| | 99,000 | 93,000 |

## 24 Non-equity share capital

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| **Shares of £1 each issued and fully paid** | | |
| At 1 April and 31 March | 10 | 10 |

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

## 25 Reserves

### Revaluation reserve

This comprises of unrealised surpluses or deficits on the revaluation of investments.

### Revenue reserve

This includes all current and prior year retained surpluses and deficits.

## 26 Cash flow from operating activities

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| **Surplus/(Deficit) for the year** | 7,488 | 6,120 |
| Adjustments for non-cash items: | | |
| Depreciation of tangible fixed assets | 6,209 | 6,067 |
| Impairment of tangible fixed assets | - | 115 |
| Unrealised loss on revaluation of investments | 224 | 374 |
| Defined benefit pension scheme operating charge | 1,370 | 1,290 |
| Defined benefit pension scheme contributions paid | (930) | (570) |
| Surplus on the sale of Social Housing | (578) | (1,154) |
| Loss on Non Social Housing disposals | 6 | - |
| Decrease / (Increase) in Debtors | 105 | (929) |
| (Decrease) / Increase in Creditors | 1,452 | (1,527) |
| Decrease / (Increase) in Stock | 148 | 416 |
| Adjustments for investing or financing activities: | | |
| Interest receivable | (7) | (18) |
| Interest payable | 3,118 | 3,103 |
| Government grant amortised | (302) | (257) |
| | | |
| Net cash inflow from operating activities | 18,303 | 13,030 |

## 27 Capital commitments

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| **Capital expenditure** | | |
| Expenditure contracted for but not provided in the accounts | 19,999 | 22,111 |
| Expenditure authorised by the Board, but not contracted | 10,401 | 5,519 |
| | | |
| | 30,400 | 27,630 |

The above commitments will be financed through borrowings, operating surpluses and Homes England grant.

## 28 Contingent assets / liabilities

The Association had no contingent assets or liabilities as at 31 March 2021 (2020 £nil).

## 29 Leasing commitments

The future minimum lease payment of leases are set out below. These relate to office premises, equipment provided for residents' use and office equipment.

Minimum future operating lease payments are as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Land and buildings | Other assets | Land and buildings | Other assets |
| | £'000 | £'000 | £'000 | £'000 |
| In one year or less | 10 | 47 | 5 | 44 |
| Between one & two years | - | 19 | - | 19 |
| Between two to five years | - | 45 | - | 56 |
| Over five years | - | 15 | - | 14 |
| | 10 | 126 | 5 | 133 |

## 30 Related parties

During the year, two tenants of Livin served as Board Members (Alan Fletcher and Sheila Rooney). Their tenancies were on normal commercial terms and they are not able to use their position to their advantage. The arrears relating to tenant board members at the year end was £nil (2020 £nil).

One member of the Board, Kevin Thompson, was a Councillor with Durham County Council, a local authority having nomination rights over tenancies for certain Association homes. All transactions with the Council are on normal commercial terms and no Councillor Board member is able to use their position to any advantage.

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