Network Homes

Annual Report and Financial Statements

For The Year Ended 31 March 2021

Because good homes make everything possible

Contents

The Board, Executive Officers and Advisors

The Directors of the Association who were in office during the year and up to the date of signing the financial statements were:

Network Homes Limited Board	Bernadette Conroy, Chair Anne Turner Helen Evans, Group Chief Executive Alan Hall Valerie Vaughan-Dick Jon Gooding Paul Plummer Ronen Journo Sean West Jaz Saggu Rachel King Barbara Brownlee
Company secretary	Tabitha Kassem
Executive officers	Helen Evans - Group Chief Executive Gerry Doherty – Executive Director of Customer Services David Gooch – Executive Director of Development Fiona Deal – Executive Director of People and Technology (Resigned 15 April 2021) Peter Benz – Executive Director of Finance Jamie Ratcliff – Executive Director of People & Partnerships Tabitha Kassem – Executive Director of Governance, Technology & Transformation
Registered office	The Hive, 22 Wembley Park Boulevard, Wembley, Middlesex, HA9 0HP
Independent auditors	BDO LLP, Chartered Accountants and Statutory Auditors, 55 Baker Street, London, W1U 7EU
Bankers	Barclays Bank PLC, 27th Floor, 1 Churchill Place, London E14 5HP
Registrations	Registered Provider No. 4825, Community Benefit Societies No. 7326

Report of the Board

Report of the Board

The Board presents its report and the audited consolidated financial statements for Network Homes Limited ('the Group', 'the Association') and its subsidiary undertakings for the year ended 31 March 2021.

The consolidated Group and Association Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position and Statement of Cash Flow for the Group are set out on pages 35 to 38.

The Group's principal accounting policies are set out on pages 40 to 44 and these policies have been consistently applied across the Group.

The purpose of the Group, encapsulated in our Five Year Strategy mission statement, is 'to increase the number of homes for people in housing need, deliver reliable resident services, increase our financial resilience, build a great organisation and strengthen residents' trust in us'.

Network Homes Limited operates across London, Hertfordshire and the South East of England. The Group now owns and / or manages 20,819 (2020: 20,849) homes for a wide range of customers.

Chair's review

I want to open by saying that our thoughts go out to all those who have been materially affected by this terrible pandemic. I also want to express my deep thanks to all the front-line workers, including those at Network Homes, who have worked so courageously to keep our country running during lockdown.

The challenges of 2020-21 have been unprecedented but throughout the pandemic our priority has been to keep the residents living in our homes safe, provide reliable services and deliver on our strategic objectives.

The building safety crisis continues to be the biggest issue we face. There can be no greater responsibility of a landlord than ensuring its homes are safe for the people who live in them. Our programme of investigations on buildings over 18m high with external wall systems, to check they have been built as designed and comply with building regulations is now well advanced and some remediation works are under way. We are now moving to the next phase of the programme which is to investigate our buildings under 18m. We recognise the situation is causing immense distress to people affected and we will continue to do everything we can to keep residents fully informed about the situation relating to their homes.

In addition to ensuring our homes are safe, providing residents with a reliable service is a strategic priority for Network Homes. Regardless of the difficult conditions where we had to adapt our approach to the restrictions in place, it's pleasing to see our overall customer satisfaction level increase during the year to 87.9% (2020: 85%), closer to our objective of at least 90%. Despite this positive result, we do recognise that we don't always get things right and we continue to focus on providing appropriate redress for service failure and learning from mistakes.

As a community-based housing association, we believe we should be there to offer support to residents who fall on hard times. During the year, Network Homes launched a £100,000 charitable fund to support residents who are experiencing financial difficulties to get back on their feet. We also offer comprehensive debt and welfare advice and this in combination with the government support to households affected by the pandemic ensured that we were able to maintain rent collection at pre pandemic levels through the emergency. Clearly as the macro-economic impacts of the pandemic emerge, we will continue to implement our strategy of supporting our residents to meet their financial obligations and only ever using enforcement or eviction as a last resort.

Despite the difficult operating environment, we've been determined to keep delivering on our strategic objective of increasing the number of homes for people in housing need. I'm very proud that we were able to deliver 620 new homes during the year (2020: 302), 544 of which were for affordable tenures and the remaining 76 were for private sale. Our ambition is to start a minimum of 1,000 affordable homes by March 2023 and do more if market conditions and grant funding allow. In total we invested £159.4m (2020: £234.3m) in new development activity during the year, starting 364 new homes (2020: 590), all of which were for affordable tenures. We also invested £14.9m (2020: £16.3m) in maintaining and improving the standard of our existing properties.

While it's not been an easy year, I'm pleased to report a robust set of financial results for 2020-21. Network Homes achieved a net surplus of £41,743k (2020: £21,122k), total turnover increased by 20.1% to £247,037k (2020: £205,654k), and the operating margin increased to 29.9% (2020: 25.8%). These very positive results are largely down to the sale of 74 homes on the open market at Thrayle House, one of the final phases of our landmark regeneration scheme at Stockwell Park in South London. The surplus we made will be reinvested in building new homes, maintaining our current homes, and improving services.

During the year, Network Homes raised an additional £160m including a £150m private placement from a small group of UK and North American investors. We launched the private placement with £100m on the cover of the transaction but upsized to £150m following strong demand from investors with an orderbook almost three times oversubscribed. This positive engagement demonstrates the confidence investors have in our business model and governance.

This year more than ever has demonstrated the resilience of our people, our financial strength and our capacity to keep building the homes people so desperately need. Conditions will remain difficult for some time to come, but with our strong leaderships and a dedicated workforce I am confident we are well placed to withstand the uncertainty ahead.

On behalf of the Board, I would sincerely like to thank our dedicated committee members and Resident Panels who give up their time to help Network to achieve its goals, the Executive whose confident leadership has led the business through these challenging times, and the more than 500 hardworking colleagues, who as always have shown impressive devotion and commitment during this tough year.

Bernadette Conroy, Chair
Network Homes Limited

Group Chief Executive's review

This has been a year where the resilience of our business has been put to the test like never before, and I'm proud that Network Homes has delivered a strong set of results despite the unprecedented difficulties posed by the COVID-19 pandemic.

Responding to the challenging circumstances has required an enormous effort by all colleagues. The business was well prepared for the sudden transition to home working and this was the enabler of us providing essential services and support to residents, many of whom are facing financial difficulties because of the pandemic.

Despite many predicting the housing market would slow during the lockdown, it didn't. Rapid sales at our Thrayle House development in Stockwell Park, South London contributed to strong financial results despite the pandemic. However, the end of stamp duty holiday, the discontinuation of the furlough scheme and the wider economic impact of the pandemic, means the outlook for the housing market remains uncertain. Demand for affordable rented homes is expected to be sustained or increase.

The building safety crisis has caused stress and disruption for thousands of people living in affected buildings who not only face large bills but are also unable to sell their homes. The impact on housing associations like Network Homes has also been significant. Network has set aside £100 million over five years to pay for building safety work. This is money we're not able to invest in other improvements to our existing homes or building new affordable homes for rent so the impact is wider than that on those directly affected. Network is committed to exhausting every possible avenue to fund these works before considering passing costs on to leaseholders. We also successfully obtained a consumer credit licence allowing us to offer interest free loans to affected households if charges are passed on. The objective is to ensure that no one is fearful of losing their home as a result of the building safety crisis.

The Social Housing White Paper set out proposals for increased consumer regulation and better definition of expected standards. It has not yet resulted in legislation, but Network is anticipating the changes. We agreed a new strategic objective of Increasing Residents Trust in Us in January 2020, with the objective of improving our agreed measure by 10% next year.

Despite the challenging environment, we've continued to build the homes people need. Development highlights during the year include securing planning approval for 1,600 homes at Northwick Park in Brent with our One Public Estate partners and the completion of the regeneration of the Rectory Park estate in Northolt where we've transformed the old 1960s estate into a total of 449 new affordable homes.

Alongside the pandemic, the world is facing a climate emergency. During the year we published our first Sustainability Strategy which sets out our commitment to reducing our environmental footprint and environmentally responsible business practices. To measure our performance, we've been taking part in the SHIFT sustainability assessment which reviews how organisations in the housing sector deliver against 21 challenging environmental targets. This exercise has demonstrated that we need to do more and we have made substantial financial provision to do so. As an early adopter of the Sustainability Reporting Standard for Social Housing, and in accordance with its ambitions, Network Homes will be publishing its 2020-21 Environmental Social and Governance (ESG) report in the summer of 2021.

The murder of George Floyd and the resulting wave of Black Lives Matter protests across the world was a reminder that racism, injustice and discrimination still exist in our society. To assess how Network Homes is perceived and performing in relation to equality and diversity we organised a series of discussion forums for colleagues to share their own experiences and consider what they thought Network needs to do to better contribute to eliminating discrimination. This resulted in the creation of a Racial Equality Action Group to provide a forum for colleagues to consider race equality in Network both as an employer and in the services we provide in the community and to monitor progress against the ten-point plan we have adopted to improve equality, diversity and inclusion within our organisation. Progress is reported on page 13.

The Network Board continues to review our strategic priorities and adapt to a changing environment. As a result and responding to expectations for better engagement and transparency with residents and the prevailing economic and social circumstances, the Board agreed we should update Network's strategic objectives and targets:

- **Increasing the number of homes for people in housing need** - *a minimum of 1,000 affordable homes started by March 2023 with an ambition to do more if market conditions and grant funding allow*
- **Increasing our financial resilience** – *increasing our operating margin year-on-year*
- **Delivering reliable resident services** – *resident satisfaction of at least 90%*
- **Building a great organisation** – *at least 87% of our colleagues feel proud to work for Network Homes*
- **Strengthening residents' trust in us** – *improve this by 10% year on year.*

Report of the Board

Everything we do should ensure residents live in a safe, secure and affordable home, and enable us to provide affordable homes for more people in future. These revised objectives give us the clarity and focus to achieve what's best for our business, our people and the residents who live in our homes.

More than ever, the events of this year have highlighted how important it is to our health and wellbeing to have a good home. While the circumstances have been very challenging, we have remained resilient and our commitment to providing homes for people who need them most is stronger than ever.

Helen Evans, Group Chief Executive
Network Homes Limited

Development Performance and Grant Programmes

In 2020-21 544 homes were completed and handed over to housing management (2020: 302 homes). There were a further 76 homes handed over to the sales team (2020: 0 homes).

The highlights of 2020-21 were:

- Securing planning committee approval for 1,600 homes at Northwick Park and together with our One Public Estate partners securing £10m of housing infrastructure funding to enable the development.
- As part of our Strategic Partnership with GLA we started construction on 364 further affordable homes in the year.
- We entered land and development agreements that will enable the delivery of a further 554 affordable homes in future years.

Tenure	2021 Units	Funding Programme*	2020 Units	Funding Programme*
Social Rent			3	MHC 15-18 (9) AHP 15-18 (1)
Affordable Rent	240	AHP 16-21 (132), Legacy Support &Care (40), Housing Zones (68)	180	AHP 15-18 (60), MHC 15-18 (97), AHP 16-21(13), SOAHP 16-21 (10)
Shared Ownership	208	AHP 16-21 (154), Housing Zones (54)	119	AHP 15-18 (33), AHP 16-21 (31), MHC 15-18 (36), SOAHP (16) 3 Units at Enswell house do not belong to any programme
London Living Rent	96	AHP 16-21 (96)	-	
Total handed over to management	**544**		**302**	
Private Sale	76		-	
Total	**620**		**302**	

**MHC = Mayors Housing Covenant; AHP - Affordable Housing Programme; SOAHP - Shared Ownership and AHP - Affordable Housing Programme*

Financial Review

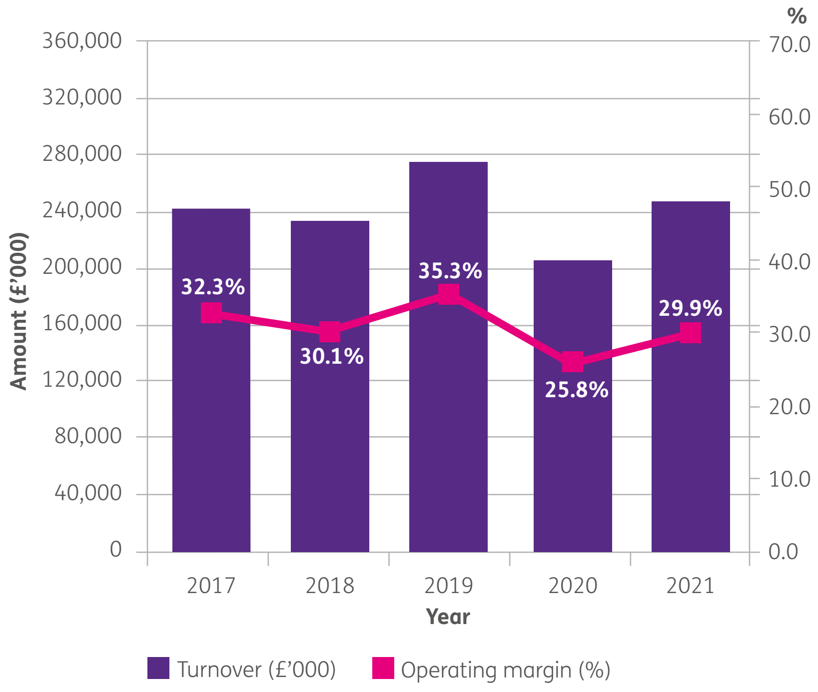
The Group achieved a net surplus of £41,743k (2020: £21,122k) for the year. Surplus has increased by 98% and the major reason for this is the private sale of 74 units at Thrayle House in this financial year.

The surplus on property sales was £24,948k (2020: £12,820k). All proceeds from property sales are reported under turnover and the costs to build under cost of sales.

Operating margin increased by 4.1% from 25.8% in 2020 to 29.9% in 2021, mainly attributable to the private sales at Thrayle House.

The trend in turnover and operating margin over the last five financial years is shown by the graph to the right:

Network Homes Turnover and Operating Margin



The tables below show a summary of our consolidated financial performance and position over the last five financial years:

Consolidated Statement of Comprehensive Income summaries

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Turnover	247,037	205,654	275,053	234,433	241,897
Operating costs	(173,215)	(152,552)	(177,951)	(163,753)	(163,771)
Operating surplus	**73,822**	**53,102**	**97,102**	**70,680**	**78,126**
Share of joint venture profit/(loss)	-	-	347	(157)	-
Net interest payable	(32,106)	(32,043)	(25,430)	(26,050)	(25,796)
Restructuring of financial instruments	97	94	90	87	8,720
Tax	(70)	(31)	(93)	(234)	(9,228)
Surplus for the year	**41,743**	**21,122**	**72,016**	**44,326**	**51,822**

Total turnover increased by £41,383k to £247,037k. Total operating surplus has gone up by £20,720k to £73,822k. The increase is primarily due to the private sale of 74 units at Thrayle House.

Report of the Board

	Social housing activity	Other social housing activity	Total social housing activity	Non-social housing activity	Total 2021
Turnover (£k)	146,608	47,300	193,908	53,129	247,037
Surplus (£k)	37,659	18,265	55,924	17,898	73,822
Operating margins (%)	**25.7**	**38.6**	**28.8**	**33.7**	**29.9**
	Social housing activity	**Other social housing activity**	**Total social housing activity**	**Non-social housing activity**	**Total 2020**
Turnover (£k)	145,507	45,977	191,484	14,170	205,654
Surplus (£k)	32,254	15,109	47,363	5,739	53,102
Operating margins (%)	**22.2**	**32.9**	**24.7**	**40.5**	**25.8**

The net surplus of £41,743k (2020: £21,122k) comprises operating surplus of £73,822k (2020: £53,102k), plus net impact of restructuring financial instruments of £97k (2020: £94k) less interest charges of £32,106k (2020: £32,043k) and corporation tax of £70k (2020: £31k).

The margins on social housing activity increased from 22.2% to 25.7%. The main reason for this increase is the transfer out of PSL units resulting in lower lease payments. These have been partly offset by additional repair costs for maintaining our existing properties and higher amortisation as a result of investment in our IT infrastructure. Other social housing activity margins increased from 32.9% to 38.6% and non-social housing activity margins decreased from 40.5% to 33.7%.

Surplus on all sales increased from £13,003k in 2020 to £24,948k in 2021. The main reason is the private sale of 74 units at Thrayle House.

Consolidated Statement of Financial Position summaries

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Total fixed assets	2,136,229	2,032,619	1,889,708	1,801,974	1,609,990
Net current assets	108,459	68,301	126,353	59,967	78,441
Total	**2,244,688**	**2,100,920**	**2,016,061**	**1,861,941**	**1,688,431**
Creditors due in more than one year and provisions	1,744,416	1,634,122	1,580,557	1,489,720	1,360,685
Total reserves	500,272	466,798	435,504	372,221	327,746
Total	**2,244,688**	**2,100,920**	**2,016,061**	**1,861,941**	**1,688,431**

At the end of the year, the Group's housing properties at cost less depreciation and impairment totalled £2,063,502k (2020: £1,961,354k). This value is reflected in the consolidated Statement of Financial Position.

The accounting policy is to hold the housing properties at historical cost. However, during the year, the Group undertook a professional revaluation of some of its housing stock by external valuers. The figures provided below are for information only. The indicative value of the Group's housing stock is as follows:

- Indicative Existing Use Value for Social Housing (EUV-SH) £1,501,343k (2020: £1,717,635k)
- Market value, tenanted (MV-T) £3,075,230k (2020: £2,703,441k)

This provides a cumulative value of £4,576,573k (2020: £4,421,076k). The indicative value of this stock on a vacant possession market value basis (VPMV) is £5,541,034k (2020: £5,487,353k).

The Group continues to borrow to fund its affordable housing development programme and ongoing responsibilities as a registered provider of social housing. Housing loans increased from £1,031,289k to £1,099,951k (repayable facilities including loan issue costs) but the amount borrowed is £1,095,161k (note 24). As at 31 March 2021, gearing based on borrowings against historic cost of properties for the Group was 51% (2020: 53%). The gearing covenant across the Group's bank facilities is 65% (2020: 65%).

COVID-19 pandemic

Our business continuity plans and prior investment in business transformation enabled us to work effectively and communicate extensively with colleagues and residents during the various COVID-19 lockdown restrictions.

The primary initial impact of the pandemic was upon the health and incomes of our residents. We maintained regular contact with all of our residents in older persons schemes and successfully completed a project to contact other potentially vulnerable residents and signpost them to appropriate support where necessary. There was a significant spike in tenants making new Universal Credit claims, many of whom we supported with our specialist welfare advice team, but by maintaining our usual compassionate and bespoke approach to income collection we have largely maintained collection rates. During the first lockdown we focused our responsive repairs activity on emergencies but maintained statutory compliance activity. As lockdown measures were eased, we were able to gradually reintroduce responsive repairs and we are now operating a regular repairs service. Almost all of our construction and building safety sites closed for a period during the first lockdown but all have now reopened, with appropriate sanitation and distancing measures.

The longer term economic impact of COVID-19 is currently unknown but could negatively impact upon the incomes of our residents, sales values, sales rates and as a result our income. Network Homes Ltd has stress tested its business plan against a range of scenarios, including extreme scenarios, and our judgement is that impacts arising from these scenarios can be contained. Mitigating actions, governance structures and template recovery plans to respond to stress scenarios have been prepared.

Equality, Diversity and Inclusion

In May 2020 Network Homes adopted a ten-point plan to improve equality, diversity and inclusion within our organisation and the services we provide to residents. Progress against the plan is reported internally on a regular basis and to our People, Governance and Culture Committee. Highlights for 2020-21 included:

- regular publication of key indicators relating to colleagues, with breakdowns by protected characteristics;
- new processes and data collection to improve and monitor diversity through recruitment;
- the launch of HARTBEAT+ circular mentoring programme for senior managers, and three colleagues being accepted onto the G15 Accelerate programme, alongside three sponsors;
- a colleague-led process to incorporate the HALO principles – based on the right to embrace all hair styles, particularly natural Afro hair and protective hairstyles including head dresses associated with racial, ethnic and cultural identities – into our code of conduct;
- the formation of an internal Women's Equality Group for colleagues of all genders; and
- an initial meeting of interested residents, contacted following our Big Conversation survey in Winter 2020, exploring how to establish a residents LGBTQ+ group.

We recently completed a colleague survey entitled 'Can you be you?' for which the headline results of 94% feeling accepted for who they are at Network Homes were extremely positive. The survey also highlighted areas in which we need to improve including greater visible commitment to diversity at a senior level, updated training, improved recruitment practices and greater action on being a welcoming employer for people with disabilities. The survey results, combined with feedback from focus groups with a range of colleagues from across the organisation, will be used to inform a new inclusive leadership programme which is expected to launch in Autumn 2021.

Building safety crisis

In 2019 we established a building safety team to lead our response to government guidance to ensure our buildings provide adequate protection against risk of fire. The team is coordinating investigations, interim safety solutions, and remedial work for around 100 Network-owned buildings across 25 development sites and a number of other buildings where we are a leaseholder. We are following government guidance and concentrating our efforts on those buildings most at risk – buildings over 18m.

During financial year 2020-21 we completed remedial work on two developments and we commenced remedial works on two other developments in the same year. We expect to commence works on several other developments in 2021-22. Where we have started on site we have submitted successful applications to the MHCLG Building Safety Fund and we intend to continue to make maximum possible use of that government fund on other developments.

We are proactively communicating progress on building safety to our affected residents. We have a comprehensive communications strategy in place and have utilised our web-site to provide a comprehensive library of our communications with the residents on each development that is affected. We have also developed a competency to run resident webinars so we can keep residents up to date on progress with our inspections and remedial works.

Capital structure

The Group is financed by a combination of retained reserves which are not distributable, long-term committed loan facilities from banks and other lending institutions, and grants awarded by Homes England, the Greater London Authority (GLA) and other organisations to support development activities. Some loans are arranged through Network Treasury Services Limited ('NTSL'), the Group's treasury vehicle and on-lent to the Association. These loans are secured against assets of the Association. Total loan facilities as 31 March 2021 amounted to £1,414,660k, of which £1,095,161k (excluding amortised cost of £3,449k) had been drawn (as per table below and note 24).

In the year to 31 March 2021 the Association entered into a new Note Purchase Agreement for £150,000k (£70,000k secured, £80,000k unsecured) and secured a facility of £10,000k with a Local Authority. The total Association facilities as at 31 March 2021 amounted to £859,685k, of which £667,185k had been drawn (as per table below and note 24).

Tax Strategy

Due to its size, Network Homes is currently not required to publish its Tax Strategy publicly. As per the Finance Act 2016, we expect to reach the prescribed thresholds

Report of the Board

in the relatively near future. Network Homes believes that the early adoption of a Tax Strategy is a matter of good business practice. The Group has established procedures which support its aim, and we have no appetite to engage in activities which may compromise our ability to meet the expectations of HMRC and other key external stakeholders.

Treasury policy

Treasury services are provided to the Group by the Association.

Each year the Group's Board approves the treasury management strategy and updates to the treasury policy for the Group. This policy addresses issues including funding and liquidity risk, covenant compliance and investment policy. In addition, the Group Board receives reports on treasury activities. Treasury management activities are regularly monitored by the Finance Committee.

The Group borrows at both fixed and floating interest rates, with the treasury policy requiring a minimum of 50% of drawn debt to be at fixed interest rates or hedged. As at 31 March 2021, 84% (2020: 77%) of the Group's debt was at fixed rates and 16% (2020: 23%) at floating rates.

The Group's treasury team monitors covenant compliance on a regular basis and is required to report on it to the lenders on a quarterly basis. At 31 March 2021 the Group complied with its loan covenants. The business plan projects that it will continue to do so in the future.

The borrowings summary and repayment schedule below are stated net of amortised costs (note 24).

Investment policy

At 31 March 2021 the sinking funds in place were in respect of:

1. The Housing Finance Corporation (THFC) 2043 Bond;
2. Affordable Housing Finance (AHF) 2042 Bond; and
3. Affordable Housing Finance (EIB).

THFC 2043 Bond

A 4.5% gilt with a maturity date of 2042 and a carrying value of £6,384k with a nominal value of £5,200k was sold in April 2020 and a gain of £2.9m realised. £5.2m of the proceeds were reinvested into term deposits to comply with the Interest Service Reserve Fund provisions of the bond.

A Sinking Fund of £544k is held by THFC as replacement for security to account for sales of shared ownership properties (2020: £544k). Funds can be released following revaluation.

Affordable Housing Finance 2042 Bond

There is currently a Liquidity Reserve Fund of £1,175k (2020: £1,168k).

Affordable Housing Finance (EIB)

There is currently a Liquidity Reserve Fund of £1,030k (2020: £1,024k).

Review

In light of prevailing market conditions, the investment strategy is constantly under review to ensure that the Group's risks relating to the capital invested and income accrued to date are protected so far as possible.

Cash flows

The statement of cash flow on page 38 shows that during the year the Group generated net cash inflow from operating activities of £58,129k (2020: £39,751k), made interest payments of £40,610k (2020: £39,985k) and invested a net £78,959k (2020: £116,613k) in assets.

Liquidity policy

The liquidity policy is to retain sufficient liquidity to fund the business for the next 18 months, while allowing for some uncertainty in sales receipts. This was reviewed and upheld in March 2021. Liquidity is defined as cash and facilities available to be drawn at any time. At least £50m must be held in liquid cash deposits. The treasury policy ensures loan facilities are in place to fund future requirements. At 31 March 2021, the Group had £65,864k (2020: £67,051k) in cash and bank, of which £55,576k (2020: £55,520k) was held as money market cash deposits as part of the Group treasury policy.

Short-term cash balances are placed in AAA rated money market funds or short-term deposits at competitive rates with A1/P1 rated banks or main UK clearing banks.

Security

As at 31 March 2021 all bank facilities were secured against a portfolio of the Group's properties, however the Group does also have some unsecured non-bank funding. The EUV-SH for the properties charged was £864,297k (2020: £1,286,677k) and the number of properties charged was 12,721 (2020: 12,371). There are 4,757 units not charged to existing loans.

Summary of borrowings

	2021 £'000	2020 £'000
Fixed	922,097	799,098
Variable	173,064	235,809
Total drawn	**1,095,161**	**1,034,907**
The debt falls due for repayment in:		
Less than one year	17,694	74,747
Between two and five years	187,174	183,546
After five years	890,293	776,614
Total drawn	**1,095,161**	**1,034,907**

Report of the Board
Value for Money Statement for 2020-21

Value for Money

All housing associations are required by the Regulator of Social Housing to publish a statement annually, which sets out how the organisation approached value for money. It is imperative that we deliver excellent value for money. This will help us to achieve better efficiency, economy and effectiveness, which all in turn help us to increase our quality of service and our financial resources. This will ultimately support us to build more homes and improve the satisfaction of our customers. As one of London's largest housing associations, there are many ways we demonstrate value for money. We generate extra income by selling homes and use the profits to reinvest into building more affordable homes and investing in communities. We also keep costs down, so as to give the best value for our residents. Our community investment is as important as tangible cost savings. We have long term involvement with many locations and want to deliver a real benefit to those people who live there. Our employment and training schemes, and the welfare advice and support we offer, help people to improve their personal circumstances and have a better quality of life.

As a regulated housing association we are required to adhere to the Value for Money Standard produced by the Regulator of Social Housing. This Standard requires housing associations to report against seven key financial metrics. Associations can supplement these with further internally developed metrics which demonstrate value for money by showing how the organisation is progressing towards meeting its strategic objectives.

There is deliberate overlap between the seven VFM Standard financial metrics and the Sector Scorecard benchmarking, which has been formally adopted by housing associations in England, including Network Homes Limited. The final benchmarking results will not be available until Autumn 2021 but our performance is set out below. We set four strategic objectives and accompanying ambitions, in our Five Year Strategy approved by the Executive Board.

In addition in 2016 Network Homes developed and adopted its first comprehensive Value for Money strategy. The strategy was set to be reviewed after the period of 5 years to ensure it remained relevant and reflective of the ever-changing operating landscape. As such, a new reiteration of the strategy has been written and approved by the Executive Board in May 2021.

1. **Increasing the number of homes for people in housing need**

   Ambition: A minimum of 1,000 affordable homes started by March 2023 with an ambition to do more if market conditions and grant funding allow

2. **Delivering reliable resident services**

   Ambition: Reduce resident dissatisfaction to no more than 10 per cent

3. **Increasing our financial resilience**

   Ambition: Increasing our operating margin year-on-year

4. **Building a great organisation**

   Ambition: At least 87% of our colleagues feel proud to work for Network Homes

5. **Strengthening residents' trust in us**

   Ambition: Increase the trust score by 10 per cent year-on-year

The Group's current position on the seven VFM Standard financial metrics and the internally driven metrics linked to our strategic objectives is as follows:

	Target 2022	2021	2020
Ambition: increasing our operating margin year-on-year			
Reinvestment %	6.0	8.4	4.8
New supply delivered: absolute (social and non-social)	360	620	302
Gearing %	46.8	46.4	46.2
EBITDA MRI Interest (exc. sales) %	117.0	170.3	115.2
Headline social housing cost per unit (£)	5,212	5,330	5,700
Operating margin (social housing lettings only) %	28.0	25.7	22.2
Operating margin (overall) %	29.0	28.2	24.0
Return on capital employed (ROCE) %	2.6	3.3	2.5
Ambition: a minimum of 1,000 affordable homes started by March 2023 – with an ambition to do more if market conditions and grant funding allow			
Homes completed and handed over	360	620	302
Homes started	900	369	601
% homes started for social rent; LAR; LLR; s.106 LA rent	38.0	33.0	51.0
% secured pipeline affordable tenures	62.0	64.0	76.0
Secured pipeline	2,281	1,108	2,873
Customer satisfaction with new homes %	82.0	64.0	82.0
Ambition: resident satisfaction of at least 90%			
% satisfied with Network Homes services	90.0	87.9	85.0
% satisfied with repairs service	85.0	82.6	80.5
Rent collected % (general needs and HfOP)	100.0	100.6	100.3
Occupancy % (general needs and HfOP)	99.0	98.6	98.6
Ambition: At least 87% of our colleagues feel proud to work for Network Homes			
Sickness absence (average days)	5.0	3.2	5.1
% Staff turnover (voluntary)	10.0	8.3	12.6
% Pride measure	87.0	85.0	85.0

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Sector Scorecard

The Group's current position on the Sector Scorecard measures is as follows:

	Target 2022	2021	2020	G15 Median 2020
Operating margin (overall)	29.0%	28.2%	24.0%	21.0%
Operating margin (social housing lettings)	28.0%	25.7%	22.2%	27.0%
EBITDA MRI (as % interest)	117.0%	170.3%	115.2%	104.0%
New supply delivered % - social housing units	1.6%	2.7%	1.5%	1.4%
New supply delivered % - non-social housing units	0.0%	0.4%	0.0%	0.8%
Gearing	46.8%	46.4%	46.2%	46.0%
Reinvestment %	6.0%	8.4%	4.8%	6.0%
Investment in communities £	515,000	281,837	314,087	2,000,000
Return on capital employed (ROCE)	2.6%	3.3%	2.5%	2.6%
Occupancy (general needs only)	99.0%	98.6%	98.6%	98.8%
Ratio of responsive repairs to planned maintenance	0.60	0.62	0.50	0.60
Headline social housing cost per unit £	5,212	5,330	5,700	5,034
Management cost per unit £	n/a	1,595	1,815	1,322
Maintenance cost per unit £	n/a	856	699	1,140
Major Repairs cost per unit £	n/a	1,381	1,402	1,007
Service charge cost per unit £	n/a	1,126	887	853
Other social housing costs per unit £	n/a	372	897	667
Rent collected as % of rent due (GN)	100.0%	100.6%	100.3%	99.5%
Overhead costs as a percentage of turnover	10.0%	9.7%	7.8%	10.0%
Customer satisfaction	90.0%	87.9%	85.0%	78.5%

Impact on Value for Money

Despite unprecedented external pressures, including high ongoing expenditure relating to building safety and restrictions imposed by the pandemic, we have achieved some significant value for money improvements. As shown above, a positive change has been recorded for most Sector Scorecard key performance indicators and in most cases, Network Homes' performance is comparable to, or better than that of the G15.

Most notably, we saw an increase in operating margin (both overall and social lettings) and a decrease in headline social housing cost per unit (CPU). These measures are perhaps the most indicative of our continuous strive for cost reduction and greater efficiency. Although our CPU remains slightly above last year's G15 median, it is now closer to it than ever before. It must also be noted that CPU is highly dependent on a multitude of factors, including the geographical location, age and type of stock, tenure mix, head office location, and more. As such, very few housing associations make for an equal comparison.

The biggest positive improvement to social housing operating margin has been due to the disposal of our Private Sector Leasing (PSL) properties as previously approved by our Executive Board. PSL operated on very narrow margins and high expenditure, which had had a significant negative impact on the overall operating margin measures. Where possible, PSL properties were transferred to their corresponding local authorities, ensuring minimum disruption to the residents and the overall supply of housing. In addition, we have also completed a total of 620 new homes, more than double compared to the previous year and the vast majority of these has been social housing (544).

The overall operating margin continues to be negatively affected by costs associated with building safety and investment made in technology. However, it must be noted our timely IT upgrade has enabled us to continue working with minimal to no disruption, which is reflected in operational performance indicators. For instance, we were able to collect above 100 per cent of income expected from all our major revenue streams, including General Needs and Housing for Older Persons rents, Shared

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Ownership rents, and Leasehold service charges. Additionally, we expect to see a lessening demand on our customer contact centre following the launch of the online Resident Portal, which enables our residents to check their account balances, pay any charges and raise repairs in their own time.

Without building safety costs, our underlying headline VFM performance would be as follows:

- Social Housing Cost Per Unit - £4,929 (2020: £4,794)
- Operating Margin (Social only) – 27.9% (2020: 26.2%)
- Operating Margin (overall) – 29.7% (2020: 27.2%)

Despite the unprecedented external circumstances and uncertainty, we have continued to focus on increasing efficiency – provide more with less. This year we have reduced our operating spend by allowing employees to apply for voluntary redundancies, where alternative arrangements could be put in place, ensuring that the resulting savings were to be sustainable long-term.

While much of our focus has been on reducing operating costs, we have not done so at the expense of our residents. In fact, the Overall Customer Satisfaction has increased from 85% last year to 87.9% in 2020-21. And in order to continue improving our services, we will be focusing on customer dissatisfaction in 2021-22 instead, which will ensure that we learn from each negative interaction and that resident feedback guides our development of services provided.

Additionally, we have launched a number of internal projects aimed at increasing efficiency and becoming more proactive when resolving customer issues to ensure minimal escalation. These include:

- Measuring Performance project. A working group consisting of senior management from across the organisation has been assembled to devise a comprehensive, consistent and directly comparable approach to measuring our operational effectiveness. The focus is on ensuring that existing resources are directed where they will be most effective and add most value (both to our residents and from a cost perspective).
- Immediate Response project. Our residents have (rightly) grown to expect not only high quality but also fast service, with queries and issues being addressed/resolved with minimal delay. As such, all teams have been asked to consider ways in which they could help us adopt "immediate response", which resulted in our employees developing practical team pledges encouraging positive behaviours and a proactive culture.
- Lessons Learnt Lectures. It is crucial that we learn from past mistakes (or near misses) and take each failure as an opportunity to grow and improve. Service failures have perhaps the biggest avoidable negative impact on resident satisfaction/trust and real or perceived value for money. Therefore, we have introduced Lessons Learnt Lectures – a monthly event focusing on real experiences with focus on improvement instead of blame.
- Problem Buster Sessions. While Lessons Learnt Lectures are about reflecting and learning from past experiences, Problem Buster Sessions are aimed at preventing issues from arising or escalating further. Open to staff from across the organisation, each session is an opportunity to bring and solve problems that may seem stuck.
- Zero-based budgeting approach. The finance department commences its budgeting process in September of each year and engages all budget managers within the organisation in a series of challenge sessions to produce budgets based on forecast operational activity and contractual commitments rather than rolling over historic budgets. Growth proposals are identified and assessed by ELT before being included in budget requests.

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The governance of the Group is summarised in the following paragraphs.

Network Homes Limited is a charitable Registered Society (registration number RS007326) under the Co-operative and Community Benefit Societies Act 2014. Network Homes is a registered provider of social housing (registered provider number 4825), and a member of the National Housing Federation. The Group is regulated by the Regulator of Social Housing.

As the parent company, Network Homes Limited has overall control of the business of the Association and its members. It will assist and support all subsidiaries in achieving compliance with regulatory requirements. The Board's responsibilities are set out in detail in the Board's Terms of Reference. On 31 March 2016, SW9 Community Housing became a subsidiary of Network Housing Group (now Network Homes Limited) and since that date has taken over property management services that were previously provided by Community Trust Housing. SW9 is a charitable company limited by guarantee (number 09574528).

This relationship is governed by an Intra-Group Agreement, Management Agreement and Options Review Agreement between the two entities as well as the Articles of Association of SW9 Community Housing.

These agreements establish control of SW9 by the Group. This requires consolidation of SW9 in the Group results.

Governance review

An independent review of the Group's governance was conducted in July 2019 by Campbell Tickell. This review concluded the arrangements were compliant with the industry's NHF Code of Governance 2015. Network Homes has remained compliant with the chosen Code of Governance since this time. On 1 April 2021 Network Homes Group adopted the new NHF 2020 Code of Governance. Following an internal review, the Group arrangements are compliant with the new Code. A further independent review will be undertaken within the next financial year 2021-22.

Risk management

Risk management procedures and considerations are embedded in the culture of Network Homes Limited with staff taking responsibility for identifying and assessing the risks faced by the Group and using a risk management framework to manage these risks.

The following committees have been established by the Board to consider specific aspects of the Group's affairs, providing recommendations and support to the Group and subsidiary boards.

The Chairs of the committees report back at the next Board meeting following each committee meeting. The committees and their main roles and responsibilities are set out in written terms of reference and summarised below. This is true as at financial year end 31 March 2021.

Audit and Risk Committee (ARC)

- reviews audit and risk management activities across the Group and delivers an annual assessment of the quality of the internal control environment and the effectiveness of risk and audit systems to Group Board;
- provides assurance to subsidiary boards on all matters covered by the compliance framework;
- keeps under review the effectiveness of the Group's internal controls and risk management systems;
- monitors risk management activity across the Group to ensure consistent and effective usage of internal systems, and identify trends and aggregate risks;
- monitors the Group's financial performance against its business plan and budget targets;
- monitors the impact of the external environment on the Group's financial status;
- considers and reports on financial implications of other significant risks and exposures being undertaken by the Group; and
- acts on behalf of the Group in reviewing and approving changes to financial delegations.

Customer Services Committee (CSC)

- agrees customer facing strategy and policy and oversees performance so that Network meets its strategic objective of delivering reliable resident services ensuring compliance with legal and regulatory requirements;
- is responsible for meeting the consumer standards and providing assurance to the Board of compliance; and
- ensures customer facing services are value for money and these are continually improving.

Investment Committee (IC)

- recommends the Group's investment strategy to the Group Board and subsidiary boards;
- monitors the performance and delivery of the development programme, including post implementation review, and other new business activity against the investment strategy and agreed targets;
- scrutinises proposed investments before submission to subsidiary or Group boards for decision; and
- monitors the Group's resource capacity and capability to deliver the programmes.

Finance Committee (FC)

- sets the treasury strategy for the Group;
- reviews treasury activities and cash management on behalf of the Group board, making recommendations as appropriate;
- has responsibility for recommending financial targets for the Group and the annual consolidated budget to the Group Board;
- examines business plan models, targets, key assumptions, scenarios and sensitivity tests – at least twice per year;
- monitors financial outcomes and forecasts against budget, including receiving quarterly dashboard reports on the Group performance;
- initiates 'deep dive' reports into areas of financial performance that give rise to concern or otherwise determined as appropriate;
- considers and approves the write-off of individual unpaid debts in excess of £20k, notifying the Group Board if deemed necessary;
- recommends central services and development cost apportionments to the Group;

- advises the Group Board on financial strategy for mergers and acquisitions, including consideration of financial due diligence reports for new business opportunities, making recommendations to the Group Board as appropriate;
- reviews the Group's insurance portfolio and self-insured risks annually;
- considers the VFM strategy including commissioning value for money and efficiency reviews of operational areas, including appropriate benchmarking, providing challenge and assurance, making recommendations to Group Board as appropriate;
- reviews the long-term financial model, tests scenarios including risk stress testing and recommends financial targets to the Group Board;
- reviews the Pension strategy and contingent liabilities exposure; and
- reviews and recommends any other financial reports as appropriate.

People, Governance & Culture Committee (PGCC)

- has responsibility for overseeing the Group's remuneration policies for paid staff and for non-executive members of the Group Board and the subsidiary boards. It has particular responsibility for keeping under review the terms and conditions of employment of the Group chief executive and other members of the Group Executive Leadership Team (ELT);
- oversees and determines the governance arrangements within the Group, including the adoption of and adherence to the Code of Governance, board and committee succession planning and appraisals, and the recruitment and induction of new board and committee members; and
- is responsible for overseeing the recruitment of new independent Board members for the Group Board and making recommendations on appointments to the Group Board and Group committees.

Early Warning Review Group (EWRG)

- consisting of the chair of the board, CEO, and the chairs of all the above committees, the EWRG oversees reporting on early warning signals as set out in the business plan;
- the EWRG receives a monthly early warning report which tests the current financial state of the organisation against a set of triggers approved by the Group;
- the EWRG meets by default when an indicator moves into the red category or as required by members upon receipt of the monthly report; and
- the EWRG has delegated authority to take mitigating actions in the event such actions may be required, and the expectation is that when a trigger point is hit, it will approve or direct implementation of any necessary resultant mitigation. It is expected to operate in exceptional circumstances, implementing mitigation strategies only where action is needed outside of the usual Board and sub-Committee meeting cycle. It has a shared responsibility to oversee and monitor the financial resilience and reputational risks or issues of the Network Homes Group ensuring both its future viability and that it has the maximum possible social impact.

As and when required, the Network Board may establish a steering group or other decision-making body within its governance arrangements with delegated responsibility to oversee a matter. In November 2019, the Fire Remediation Steering Group was established for a six-month period, with resident membership, to oversee matters relating to the building safety activities across the Group. In November 2020, a Network Homes SW9 Steering Group was appointed, comprised of Network Board and Executive members, to oversee ongoing developments with SW9 Community Housing. All decisions and discussions of these established decision making bodies are reported to the Network Board verbally by the respective Chair (appointed from the Board membership) and through the sharing of minutes at its following proximate meeting to ensure the line of sight to the Board in all matters is maintained throughout.

Each corporate Group member is responsible for producing a risk map for its own business activities. The corporate risk map, which contains strategic level risks is produced and reviewed by the Executive Leadership Team and is informed by information from directorate risk registers.

There are four officer led risk panels. The Risk Panel, which comprises the Chief Executive, other executive members and the Senior Internal Audit Manager, reviews the corporate risk map and the operational / functional risk maps for consistency and completeness. The Risk Panel is responsible for ensuring that actions identified in the risk maps are followed through. The Scheme Risk Appraisal Panel reviews risks associated with development schemes. The Building Safety Operational Group is a sub-Committee of SRAP and exists to review, monitor and determine matters that relate to Building Safety Operation strategy, budget and spend within delegations awarded to SRAP. The Health and Safety Panel reviews and considers risks, issues, control and management of the Group's health and safety arrangements.

Statement of compliance

The Group confirms that the Report of the Board has been prepared in accordance with the principles set out in paragraphs 4.6 and 4.7 of the 2014 SORP for registered social landlords. The Board confirms that the Group has assessed its compliance with the Governance and Financial Viability Standard at least once during the year and they certify that the Group is in compliance with the Governance and Financial Viability Standard in all areas.

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The Network Homes Limited Board and its subsidiary Boards adopted the NHF 2020 Code of Governance on 1 April 2021. In accordance with Principle 1.5(3) of that Code, the declared interests of all Board and Committee members as they relate to their capacity as a Network Homes Limited Director or Committee member are set out below.

Board Member	Nature of Interests/Related Parties	Network Homes Group Membership
Bernadette Conroy	Independent Chair, University of Cambridge (and subsidiary Lynxvale Ltd); Director, NED Financial Conduct Authority (FCA); NED Community Health Partnerships, North London Estates Partnership; NED Milton Keynes Development Partnership	Chair and Member of Network Homes Board; Member of Customer Services Committee, Investment Committee, Finance Committee; Board Member of Network Treasury Services Ltd
Anne Turner	Board Member and Chair of Audit Committee, Housing 21; Board Member and Interim Chair, PA Housing Member of the SHPS Employer Committee (nominated by Network)	Vice Chair and Member of Network Homes Board; Chair of Finance Committee and Network Treasury Services Ltd.; Standing Observer of Investment Committee
Helen Evans	Chair of Board of Trustees, Joseph Rowntree Housing Trust; Trustee of the Joseph Rowntree Foundation	Member of Network Homes Board; Member of Customer Services Committee, Investment Committee, Finance Committee; Board Member of Network Treasury Services Ltd; Director of Network Living Limited
Alan Hall	Magistrate on the North Essex Bench	Member of Network Homes Board, Chair and Member of Customer Services Committee and Member of Investment Committee
Dr. Valerie Vaughan-Dick	Chief Operating Officer at RCGP; Director on RCGP Enterprises Ltd, RCGP Conferences Ltd. and RCGP International Ltd., Chair of Woolwich Creative District Trust; prospective Chair of Wandle HA (awaiting approval)	Chair and Member of Audit & Risk Committee; Member of Network Homes Board
Jonathan Michael Gooding	Member of Investment Committee UK Affordable Housing Fund, BMP REP; Chair, LTYD Homes Ltd. (part of Lendlease Group)	Vice-Chair and Member of Network Homes Board; Chair of Investment Committee; Member of Finance Committee; Member of Network Treasury Services Ltd, Member of Network Homes Investments Ltd and Member of Network Affordable Developments Ltd
Paul Plummer	Non-Executive Director, National Grid Eso; Professor in Rail Strategy, University of Birmingham	Member of Network Homes Board; Chair and Member of People, Governance & Culture Committee; Member of Audit & Risk Committee
Ronen Journo	Senior Managing Director: Head of European Management Services & Operations at Hines Europe, reporting to the CEO Lars Huber. Board Advisor to several start-ups: ARC Club, SpaceOs, Basking, Placense, JUCE, WorkClub – no remuneration other than symbolic stock options; Member of The Cabinet Office, GPA Challenge Panel	Member of Network Homes Board; Member of Customer Services Committee and People, Governance & Culture Committee
Sean Allan West	Chief Financial Officer and Executive Board director for the Arqiva Group (UK Broadcast and communications infrastructure business).	Member of Network Homes Board; Member of Network Treasury Services Ltd; Board Member of Audit & Risk Committee and Finance Committee
Dr. Jasvinder Singh Saggu	Group Chief Operating Officer at Furness Insurance Services Ltd; Independent Non-Executive Director and Council Member at Cranfield University and British Heart Foundation	Member of Network Homes Board; Board Member of Network Treasury Services Ltd; Member of Finance Committee and People, Governance and Culture Committee
Rachel King	People Director, Camelot UK Lotteries Ltd	Member of Network Homes Board, People, Governance & Culture Committee and Customer Services Committee
Barbara Brownlee	Managing Director of Westminster Builds	Member of Network Homes Board, Audit & Risk Committee and Investment Committee

Non-Network Homes Board Committee members	Nature of Interests/Related Parties	Network Homes Group Membership
Charlene Jones	None	Member of Audit & Risk Committee (appointed 26 May 2020)
David Coulter	None	Member of Audit and Risk Committee
Matthew Backler	Deputy Director of Finance, East Sussex Healthcare NHS Trust	Member of Audit & Risk Committee (appointed 15 February 2021)
Francis Haydon	None	Member of Customer Services Committee
Dee Alapafuja	Resident of Network Homes; Board Member of SW9 Community Housing	Member of Customer Services Committee
Phillip Lyon	Resident of Network Homes; Resident Panel member, Housing Ombudsman	Member of Customer Services Committee
Amina Graham	Executive Director of People and Systems at H21	Member of Customer Services Committee
Mavis Oti Addo Boateng	None	Member of Finance Committee (appointed 15 February 2021)
Adeoye Adebayo	Director, AOA Property Consulting Limited	Member of Investment Committee
Shauna Hutchinson	None	Member of People, Governance & Culture Committee

Significant risks

The significant risks below are as discussed and agreed by Network Homes' Audit and Risk Committee in April 2021. The evolving situation relating to the COVID-19 pandemic has dominated our activities for more than a year now. Whilst the crisis and the resulting economic conditions have undoubtedly had an impact upon our operations, our fundamental business model has remained strong. We provide below market rate homes for households in need in areas of the country with the greatest housing need. Many of our residents have already experienced income shocks and many more could do so into the future. The - near unprecedented - extraordinary levels of individual support that the Government has put in place, combined with our own existing compassionate and bespoke income collection processes should limit impacts upon our rental income.

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Significant risks 2020-21

Risk	Responsible Officer	Mitigating Action	Progress made in the Financial Year
Business Continuity risk due to the **COVID-19** outbreak.	Business Continuity Group	• Business Continuity Plans in place and subjected to resilience testing to confirm remote working capabilities by entire workforce simultaneously. • All staff requested via Cascade to read Business Continuity Plan. • IT kit upgraded and issued to employees in 2019 as part of Business Transformation programme. • Daily meetings of ELT. • Daily briefings to SMT. • SMT pass information on to their teams. • Weekly Q&A forum with ELT. • Weekly board meetings. • Bi-weekly liquidity reports to Finance Committee. • Weekly Debt Oversight Panel meetings.	• Successfully enabled 99% of staff to move overnight to predominantly home working. • Successful resilience testing. • Effectiveness of communication processes confirmed. • Monthly reporting on insurance and legal contractors undertaken with reporting against KPIs agreed through the original tender/framework. • Continuing our compassionate approach to income collection which supports those experiencing financial shock on a bespoke basis – including through helping them maximise the benefits they can claim. • Revised Business Continuity Plan, embedding principles and lessons from the pandemic, approved in March 2021.
Exposure to building safety issues resulting in a resident Health and Safety risk with potential negative reputational impacts upon Network with our customers, stakeholders and in the sector more generally.	Executive Director of Customer Services	• Monthly internal meetings that review all known latent defects. • Latent Defects Reports to SRAP and IC. • Establishment of Building Safety team to manage investigations, remediation and resident liaison. • Regular review of position and financial impact at Building Safety Operational Group. • Waking watches currently in place on five different schemes with a weekly report on their operation circulated internally.	• Ongoing remedial works at Capitol Way and Park Heights. • Regular resident comms and meetings and standing watch where required. • Strategy for investigating external wall construction in buildings below 18m agreed by the Building Safety Operational Group (BSOG). • Remediation of balcony glass at Matthews Close was completed in November 2020. • We have been successfully awarded funding for six of our Tall Buildings from the Government's Building Safety Fund. • Completed Procurement of frameworks for waking watch services and fire alarms.

Risk	Responsible Officer	Mitigating Action	Progress made in the Financial Year
Failure to remain compliant with building safety requirements (gas, fire, electric, etc.) resulting in potential negative reputational impacts upon Network with our customers, stakeholders and in the sector more generally.	Executive Director of Customer Services	• Annual gas safety servicing programme. • Co2 detectors checked and fitted across stock as part of gas safety check. • Development handover processes implemented to ensure gas equipment is added to servicing schedules before properties are occupied. • All FRAs are complete. • Lift contractor completes monthly servicing and annual inspections. Zurich complete 6 monthly inspections as our insurers. • Programme of 5-year electrical dwelling and communal testing. • Electrical tests take place at each void. • Risk based asbestos analysis of whole stock completed. • Water safety testing and inspection programme in place.	• Monthly KPI submission by contractors. • LGSR certificates. • Gas compliance is monitored monthly and 100% compliance has been maintained since November – throughout the second and third lockdowns. In the last year, the lowest level of compliance was 99.8%. • FRA documents. • Review of fire safety policy undertaken by Savills. • Lift inspection records and Zurich certificates. • EDM storage of electrical certificates. • Asbestos surveys, testing and removal records. • Water safety maintenance schedules. • ROSPA Gold Award.
Cash flow liquidity and access to new funding (and existing facilities).	Executive Directors of Finance and Development	• Stress Tests within Network Homes Business Plan. • Monthly cash flow review meeting. Monitoring Anticipated v Target. • Market awareness provided by Valuers' three-month valuations. • 'Plan B' strategies for high risk sites devised. • Early Sales strategies including off plan and early availability of 'show apartments'.	• Frequency of Development Programme Stress Test paper to SRAP and IC has been upgraded to quarterly. • A 25% reduction in sales proceeds is included as a contingency when the liquidity requirement is forecast. • Funding extensions completed and new facilities secured. Multiple funding options available including unsecured and extensions. Offer from local authorities received.
Poor resourcing results in: - failure to attract and retain good staff - ineffective workforce planning - lack of establishment control - lack of succession and talent management - poor employee engagement - failure to deliver strategic objectives	Executive Director of People & Partnerships	• Workforce Establishment policy and process. • Recruitment & Selection Policy. • Structure charts. • Monthly FTE reporting. • Authority to recruit process and authorisation. • Recruitment and retention monitoring. • HR on interview panels.	• Salary reference points introduced to remove minor differentials in benchmarked salaries. • Website updated and continuously improved. • Talent pipeline mapping and career pathways model launched.

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Risk	Responsible Officer	Mitigating Action	Progress made in the Financial Year
Adverse political decisions on independence, rents, welfare reform and any other matter which potentially might undermine the operating model.	Executive Director of People & Partnerships	• Rents within the market are monitored regularly at a local authority level. Many Network rents are determined by the grant programme conditions set by GLA/Homes England. Choices made re whether to bid for grant. • Rents are set within the existing Affordable Rents Policy. • Changes in political and economic policy continually monitored through Strategy & External Affairs team. • Board reviewed current Strategy and Policy in March 2018.	• Weekly monitoring of environment, plus Quarterly Market Review. • Close political engagement at a national, regional and local level, enhanced by Chief Executive's previous position as Chair of G15 largest London housing associations. • Rent arrears and voids monitoring. • Shared ownership sales rate monitoring. • New Rent Standard which is expected to run through to 2025. • Development programme commitments re-examined in light of changing economic conditions. • Segmentation analysis of customers in rent arrears coming onto Universal Credit undertaken and proactive actions being taken by the income team show that (after a period of disruption) tenants on Universal Credit are averaging similar levels of arrears to tenants on legacy benefits. • Development programme and commitments to be kept under continual review. • Proactive engagement with the government at Official, Special Advisor and Ministerial level. • Network CEO has been invited as the sole housing association representative on the Planning Reform Advisory Group.
Poor data integrity, use of systems, information management and KPIs impacts on operational and strategic planning and achievement of key ambitions thereby increasing the risk of service failures and diversion of valuable resources to remedial actions.	Executive Director of People & Partnerships	• Performance and Data Quality Team. • Information Steering Group. • Data Quality Dashboard reported to ELT and Business monthly. • Data Quality and Protection policies and procedures. • Data Quality Strategy developed and approved. • Delivery of Information Management governance, performance and control. • Role-based access controls to systems.	• Project to capture useful vulnerability information to assist in Personal Emergency Evacuation Plans and other operations is currently being scoped. • Develop targets for KPIs in Data Quality Dashboard. • Customer Hub phase 2 implementation. • Data security training to be rolled out across the business.

Risk	Responsible Officer	Mitigating Action	Progress made in the Financial Year
Cyber security and fraud results in financial loss and reputational damage as a result of business interruption, loss of resident and stakeholder confidence and regulatory penalties.	Executive Director of Governance, Technology & Transformation	• Anti-virus software. • Firewall. • Security configuration. • Back-up to tapes in secure storage. • Website externally hosted. • Secure mobile email. • Restricted access to Cloud storage.	• Anti-virus logs monitored by IT. • Internal firewalls developed. • Penetration tests by third party carried out. • Anti-ransom appliance – enhanced email filtering – Mimecast installed for email security/secure gateway • Phishing awareness test. • Analysis against National Cyber Security 10-point plan. • Feedback given following further phishing attempt. • Training integrated into iWOW training and DeltaNet online training.
Vulnerability to fraud both internal and external results in loss of assets, regulatory and reputational damage.	Executive Director of Finance	• Internal audit and external audit. • Anti-Fraud Bribery and Corruption Policies and Procedures. • Counter-Fraud work plan implemented by Internal Audit that includes pro-active fraud reviews and fraud awareness training. • Tenancy Fraud policy. • Centralised procurement function. • Contract Standing Orders.	• Counter-Fraud work plan implemented by Internal Audit that includes pro-active fraud reviews. • Fraud awareness training completed. • Tenancy Fraud Officer produces monthly status reports for Internal Audit. • Top Spend reports developed.
Breach of loan covenant impacts ability to draw down existing debt and / or raise new finance.	Executive Director of Finance	• Post amalgamation loans matrix in place. Has been prepared by lawyers; this lists various clauses from the loan documents where consent may be required. • Schedule of information requirements is maintained. • Covenants are forecast against the business plans and dashboard in place to monitor headroom in covenants. • New development schemes are assessed against their effect on gearing before approval.	• Regular reporting to Finance Committee on covenants. • Business Plan forecasting to Finance/ Investment Committee. • Regular reporting to FC/SRAP on security charging position. • Covenant harmonisation complete.

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Risk	Responsible Officer	Mitigating Action	Progress made in the Financial Year
Climate emergency negatively impacts on the health of our residents and the physical condition of our homes – government responses to it and associated aim of achieving net zero carbon emissions by 2050 add additional costs to our business and to our residents.	Executive Directors of Finance & Governance, Technology & Transformation	• Revised stock condition information which includes energy performance data and stock investment requirements. • Assessing potential investment requirements to make stock compliant. • Monitoring potential impact on buildings or people through health and safety and asset management. • Economic and political horizon scanning. • Potential health & safety impact on residents monitored extensively.	• Discussions continuing with external providers with a view to identifying funding mechanisms for sustainability. Legal review of all tenancy and lease agreements underway to establish position as to ability to recharge and change fabric of properties for sustainability benefit. • Sustainability project team produced action plan and has started focus on expanding the 'Existing Homes' part of sustainability strategy. • Energy Policy drafted to establish improvements in our management of energy arrangements and supply. Action Plan now being developed. • SECR and SHIFT reports produced; results incorporated into sustainability strategy with plan as to improvements. • Network's first sustainability strategy approved by the Board in November 2020.
Inter-Group entity arrangements and/ or dispute results in downgrade, loss of assets or distraction of management time.	Executive Director of Governance, Technology & Transformation (Liaison officer)	• Independent Board in place to monitor governance arrangement. • Proven history of engagement with subsidiary Board and management when issues arise to mutually agree means of investigation and resolution and ongoing monitoring of actions required. • Network Homes, as corporate parent, has abilities under the corporate arrangements to exercise control over resident Board membership. • Management agreement enables support to be provided and step in rights. • Liaison officer monthly meeting and monitoring of KPIs. • Performance monitoring framework agreed.	• External solicitors advising and representing Network in all matters in relation to the dispute. • Continue to follow all laid-down internal processes.

Report of the Board
Statement of Group corporate governance

Internal controls assurance statement
The Board has overall responsibility for establishing, maintaining and reviewing the effectiveness of the system of internal control.

The system of internal control is designed to manage risk and provide reasonable (not absolute) assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information, the safeguarding of Network's assets and interests and compliance with relevant legislation, law and regulations. The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk.

Assurance framework
The assurance framework adopted by the Board is based on the "Three Lines Model" endorsed by the Institute of Internal Auditors and the Financial Conduct Authority. The assurance framework is designed to provide sufficient, continuous and reliable assurance on organisational stewardship and the management of the major risks to organisational success and delivery of improved value for money.

Key elements of the control framework include:

Risk assessment
In meeting its responsibilities, the Board has adopted a risk-based approach to internal control, which is embedded within the normal management and governance processes. By embedded we mean that the controls are considered to be integral to the day-to-day procedures of the organisation.

Executive responsibility has been clearly defined for the identification, evaluation and control of significant risks. The Executive Leadership Team (acting as the Risk Panel) carries out evaluations of the risks which impact on the Group's ability to meet key business objectives. Risk assessments are carried out throughout the year and are aligned to the business planning process. Business risk assessments are also carried out throughout the Group at departmental levels, for projects and for new business opportunities. This process is applied through a quarterly reporting framework co-ordinated by the Risk Panel. The Executive Leadership Team considers reports on significant risks facing the Group and the Chief Executive is responsible for reporting any significant changes affecting key risks or the breakdown of internal control. The Group's most significant risks are further analysed, quantified, and reviewed by the Risk Panel presented to the Audit and Risk Committee for further analysis and approval and then reported to the Board.

Monitoring
As part of the risk management process, managers carry out control evaluation relating to key risks and confirm that key controls are in place and are working effectively or require improvement. Actions arising from identified control weaknesses are documented in the risk assessment. Management reporting on control provides hierarchical assurance to successive levels of management and to the Board. A process is in place for corrective action in relation to any material control issues arising from independent internal and external audit reports. The Audit and Risk Committee (ARC) reviews the work of the internal and external auditors whose annual reports are received by the Board.

The Internal Audit function carries out risk-based internal audits across the Group. The ARC approves the audit plan and receives an annual report and Assurance Statement on internal control effectiveness. The Board receives a copy of this report. The internal control framework and the risk management process are subject to review by Internal Audit, which is responsible for providing independent assurance to the Board and the ARC.

Control environment and activities
The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues. The Board adopted the National Housing Federation's Code of Governance 2015 for the financial year 2020-21 and the new NHF 2020 Code of Governance as at 1 April 2021. This sets out the Group's policies with regards to the quality, integrity and ethics of its employees.

The governance framework is supported by a framework of policies and procedures with which employees must comply. Scheme of Delegations, Standing Orders, Contract Standing Orders and Financial Regulations cover issues such as delegated authority, segregation of duties and procurement. Other Group policies cover health and safety, data and asset protection and fraud detection and prevention. During the year the ARC approved the Group's annual counter fraud work plan.

The Group complied with the chosen Code of Governance.

Information and communication
Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

Guidance has been produced on the responsibility at Board level for audit, risk, and control issues across the Group.

The Group's Board has received the Chief Executive's annual assurance statement on the effectiveness of internal controls; has conducted its annual review of the effectiveness of the system of internal control and has re-confirmed the organisation's risk appetite.

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

The Board has reviewed the effectiveness of the systems of internal control, including the agreed sources of assurance and confirms they are appropriate for that purpose.

The Board is satisfied there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year. Up to the date of signing of these financial statements those systems were directed at the management of the significant risks facing the Group. No weaknesses were identified which would have resulted in material misstatement or loss that would have required disclosure in the financial statements.

Report of the Board
Statement of Group corporate governance

Statement of Board's responsibilities
The Board is responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation and regulation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Registered Provider of Social Housing (RPSH) and of the surplus or deficit for that period.

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

- select suitable accounting policies and ensure they are applied 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 the going concern basis unless it is inappropriate to presume that the RPSH will continue in business.

The Board is responsible for keeping proper accounting records. These must be sufficient to show and explain the RPSH's transactions, disclose with reasonable accuracy at any time the financial position, and enable the Board to ensure the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and Regulations, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England from April 2019. It is also responsible for safeguarding the assets of the RPSH including taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and its subsidiaries included in the consolidation, together with disclosure of the principal risks and uncertainties they face.

The Board is responsible for the maintenance and integrity of the RPSH's website upon which the financial statements and other relevant corporate and financial information on the RPSH is published. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors
The Directors who held office at the date of approval of this Report of the Board confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Independent Auditor
The report of the Directors incorporating the strategic report was approved on 27 July 2021 and signed by order of the Board by:

Bernadette Conroy,
Chair

Valerie Vaughan-Dick,
Board member

Independent Auditor's report
to the members of Network Homes Limited for the year ended 31 March 2021

Independent Auditor's report
to the members of Network Homes Limited for the year ended 31 March 2021

Opinion on the financial statements
In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2021 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

We have audited the financial statements of Network Homes Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2021 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in reserves, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remain independent of the Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the board members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and of 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 board are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information including the Chair's Review, the Group Chief Executive's review and the Report of the Board, including the Strategic Report, the Value for Money Statement and the Statement of Group Corporate Governance and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

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

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

Responsibilities of the board
As explained more fully in the statement of Board's responsibilities set out on pages 31 the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Independent Auditor's report
to the members of Network Homes Limited for the year ended 31 March 2021

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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the Regulator to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility;
- Reviewing items included in the fraud register as well as the results of internal audit's investigation into these matters;
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the recoverable amount of assets and the appropriate allocation of costs;
- In addressing the risk of fraud, including the management override of controls and improper income recognition, we tested the appropriateness of certain manual journals, reviewed the application of judgements associated with accounting estimates for the indication of potential bias and tested the application of cut-off and revenue recognition.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

BDO LLP

Phil Cliftlands (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor

Date: 4 August 2021

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

Consolidated and Association Statement of Comprehensive Income for the year ended 31 March 2021

		Group		Association	
	Note	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Turnover	3	247,037	205,654	197,405	192,636
Cost of sales	3	(51,532)	(29,341)	(24,146)	(26,208)
Operating costs	3	(121,683)	(123,211)	(112,745)	(114,588)
Gift aid receivable		-	-	12,988	3,264
Operating surplus		**73,822**	**53,102**	**73,502**	**55,104**
Interest receivable and other income	7	407	511	520	783
Restructuring of financial instruments	7	97	94	97	94
Interest and financing costs	8	(32,513)	(32,554)	(33,133)	(33,188)
Surplus on ordinary activities before taxation		**41,813**	**21,153**	**40,986**	**22,793**
Tax charge on surplus on ordinary activities	10	(70)	(31)	-	-
Surplus for the year		**41,743**	**21,122**	**40,986**	**22,793**
Actuarial (loss)/gain on defined benefit pension scheme	35	(8,269)	10,172	(8,269)	10,172
Total comprehensive income for the year		**33,474**	**31,294**	**32,717**	**32,965**

All activities are classed as continuing.
Notes on pages 39 to 83 form part of the financial statements.

Consolidated and Association Statement of Changes in Reserves for the year ended 31 March 2021

Group	Revenue reserve £'000	Fair value reserve £'000	Total £'000
At 31 March 2019	**429,703**	**5,801**	**435,504**
Surplus for the year	21,122	-	21,122
Reserve transfer	569	(569)	-
Pension re-measurement	10,172	-	10,172
At 31 March 2020	**461,566**	**5,232**	**466,798**
Surplus for the year	41,743	-	41,743
Reserve transfer	(2,403)	2,403	-
Pension re-measurement	(8,269)	-	(8,269)
At 31 March 2021	**492,637**	**7,635**	**500,272**

Association	Revenue reserve £'000	Fair value reserve £'000	Total £'000
At 31 March 2019	**453,525**	**3,881**	**457,406**
Surplus for the year	22,793	-	22,793
Reserves transfer	529	(529)	-
Pension re-measurement	10,172	-	10,172
At 31 March 2020	**487,019**	**3,352**	**490,371**
Surplus for the year	40,986	-	40,986
Reserves transfer	(2,264)	2,654	390
Pension re-measurement	(8,269)	-	(8,269)
At 31 March 2021	**517,472**	**6,006**	**523,478**

The Association has a share capital of £11. The movement in share capital is disclosed in note 30. Notes on pages 39 to 83 form part of the financial statements.

Consolidated and Association Statement of Financial Position at 31 March 2021 Co-operative and Community Benefit Societies No. RS007326

	Note	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Fixed assets					
Intangible assets					
Computer software	12	16,362	14,780	16,362	14,780
Tangible fixed assets					
Housing properties at cost less depreciation and impairment	11	2,063,502	1,961,354	2,072,617	1,970,468
Other fixed assets	12	5,979	15,937	5,979	15,937
Investment properties	13	41,538	29,899	37,908	25,654
Total tangible fixed assets		**2,111,019**	**2,007,190**	**2,116,504**	**2,012,059**
Investments (financial)	14	5,208	6,333	5,208	6,333
Investments (shares)	15	30	30	90,030	65,030
Shared equity loans	16	3,610	4,229	3,610	4,229
Debtors: amounts falling due after more than one year	17	-	57	-	52
Total fixed assets		**2,136,229**	**2,032,619**	**2,231,714**	**2,102,483**
Current assets					
Stock	18	114,842	128,934	73,093	71,417
Debtors: amounts falling due within one year	19	22,342	18,816	36,076	38,385
Cash and cash equivalents	20	65,864	67,051	59,921	61,143
		203,048	214,801	169,090	170,945
Less: creditors amounts falling due within one year	21	(90,269)	(146,500)	(129,467)	(149,292)
Net current assets		112,779	68,301	39,623	21,653
Total assets less current liabilities		**2,249,008**	**2,100,920**	**2,271,337**	**2,124,136**
Creditors: amounts falling due after more than one year	22	(1,727,637)	(1,616,522)	(1,727,637)	(1,616,522)
Provisions for liabilities and charges	23	(22,147)	(18,522)	(21,270)	(18,165)
Pension surplus	35	1,048	922	1,048	922
Total net assets		**500,272**	**466,798**	**523,478**	**490,371**
Capital and reserves					
Non-equity share capital	30	-	-	-	-
Revenue reserve		492,637	461,566	517,472	487,019
Fair value reserves		7,635	5,232	6,006	3,352
Total reserves		**500,272**	**466,798**	**523,478**	**490,371**

Notes on pages 39 to 83 form part of the financial statements.
These financial statements on pages 35 to 83 were approved and authorised for issue by the Board on 27 July 2021.

Bernadette Conroy, Chair

Valerie Vaughan-Dick, Board member

Tabitha Kassem, Company Secretary

The Directors have the power to amend the financial statements after this date.

Consolidated and Association Statement of Cash Flow for the year ended 31 March 2021

	Note	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Net cash inflow from operating activities	34	58,129	39,751	110,427	15,418
Cash flow from investing activities					
Purchase of tangible fixed assets – housing properties		(154,022)	(176,707)	(141,240)	(164,175)
Purchase of tangible fixed assets – other fixed assets		(7,122)	(14,176)	(7,341)	(14,176)
Proceeds from disposal of tangible fixed assets		80,036	45,434	38,535	41,092
Grants received		225	27,643	225	27,642
Sale of investments		898	-	898	-
Shared equity investments		619	682	619	682
Interest received		407	511	520	783
Investment in shares		-	-	(25,000)	10,000
Gift aid received		-	-	1,492	4,590
Net cash used in investing activities		**(78,959)**	**(116,613)**	**(131,292)**	**(93,562)**
Cash flow from financing activities					
Interest paid		(40,610)	(39,985)	(40,610)	(39,985)
New borrowings		251,000	201,250	251,000	201,250
Repayment of borrowings		(190,747)	(93,118)	(190,747)	(93,118)
Net cash received from financing activities		**19,643**	**68,147**	**19,643**	**68,147**
Net (decrease) in cash and cash equivalents		**(1,187)**	**(8,715)**	**(1,222)**	**(9,997)**
Cash and cash equivalents at the beginning of the year		67,051	75,766	61,143	71,140
Cash and cash equivalents at 31 March		**65,864**	**67,051**	**59,921**	**61,143**
Cash and cash equivalents consist of:					
Cash at bank and in hand		65,864	67,051	59,921	61,143
Bank overdraft		-	-	-	-
Cash and cash equivalents		**65,864**	**67,051**	**59,921**	**61,143**

Notes on pages 39 to 83 form part of the financial statements.

Notes to the Financial Statements
for the year ended 31 March 2021

1. Accounting policies

The Association is incorporated in England and is registered under the Co-operative and Community Benefit Societies Act 2014 and registered with Homes England as a provider. The Association and a Group member meet the criteria for being a public benefit entity under FRS 102 section 34. The Group's registered address is The Hive, 22 Wembley Park Boulevard, Wembley, Middlesex HA9 0HP, United Kingdom.

The following policies have been applied consistently from one financial year to another and in dealing with items which are considered to be material in relation to the financial statements of the Group.

Basis of preparation and statement of compliance

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment in properties, and in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice for social housing providers (Housing SORP 2018 update) and comply with the Accounting Direction for Private Registered Providers of Social Housing from January 2019 (the Accounting Direction 2019).

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The Group and Association's presentation currency is British Pounds (GBP). Amounts are presented in thousands unless otherwise stated.

Going Concern

These financial statements are prepared on a going concern basis. Internal monitoring structures remain strong with monitoring frequency of all operational parameters at increased levels including at committee and board level throughout the past 12 months. The external environment is expected to remain challenging, but Network is well placed to meet these challenges from a continued position of strength.

The 30 year business plan was updated and stress tested showing the Association and its subsidiaries are viable over the next 30 years. The Group is able to remain covenant compliant under all but the most severe stress tests and has early warning as well as mitigation mechanisms in place to return the business plan to covenant compliance for the most severe stress scenarios should they arise. The Group has not been in a stress scenario over the past 12 months and its early warning indicators do not forecast it entering any of its stress scenarios in the foreseeable future. The Group has substantively reviewed its risk register and risk appetite.

The liquidity policy is to retain sufficient liquidity to fund the business for the next 18 months, while allowing for some uncertainty in sales receipts. The policy was reviewed by the Finance Committee and upheld unchanged in March 2021. The cash flow is monitored and reported to Finance Committee on a monthly basis. A 25% reduction in sales proceeds is included as a contingency when the liquidity requirements are assessed.

There is enough funding in place to meet development commitments.

The Association has remained compliant with all statutory, regulatory and disclosure requirements throughout the various stages of the pandemic, evidencing the strength of its business continuity plan and overall organisational resilience. It remains in close and regular contact with the Regulator of Social Housing on all relevant topics.

The Group's Board has a reasonable expectation that the Association will continue in operational existence for the foreseeable future and as a result no material uncertainty exists.

Exemptions for qualifying entities under FRS 102

The Association has elected to apply the following reduced disclosures, which are permitted in accordance with FRS 102:

- Exemption from making disclosures in relation to financial instruments in accordance with FRS 102 1.12(c) as the Association is a qualifying entity and the parent Network Homes Limited produces a consolidated statement.
- The Group discloses transactions with related parties which are not wholly owned with the same Group. The Group does not disclose transactions with members of the same Group that are wholly owned as allowed by FRS 102 paragraph 33.1A. Intra-Group transactions required to be disclosed by The Accounting Direction 2019 are provided in note 38.

Basis of consolidation

As the parent company, Network Homes Limited has overall control of the business of the Association and its members. It will assist and support all subsidiaries in achieving compliance with regulatory requirements. The Board's responsibilities are set out in detail in the Board's Terms of Reference.

SW9 Community Housing, a subsidiary of Network Homes Limited, is a Charitable Company limited by guarantee (number 09574528). The relationship is governed by an Intra-Group Agreement, Management Agreement and Options Review Agreement between the two entities as well as the Articles of Association of SW9 Community Housing which further set out the mutual obligations.

The Group consolidated financial statements include the financial statements of the Association and all of its subsidiary undertakings. A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Any subsidiary undertakings acquired or sold during the year are included up to, or from, the date of change of control.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Turnover

Turnover represents rental and service charge income receivable, income from the management of properties, income from sale of assets, revenue grants receivable from local authorities and Homes England, amortisation of deferred capital grants, management fees, gift aid receivable by Network Homes from its own subsidiaries, fair value uplift on investment valuation and other income. Turnover excludes value added tax where applicable.

Notes to the Financial Statements
for the year ended 31 March 2021

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered. All income is recognised on a receivable basis as per specific criteria described below:

a. Rents receivable
All rents are recognised on a receivable basis. Rental income from properties owned by the Association is recognised on an accruals basis (net of void losses) as it falls due.

b. Property sales
Income from property sales is recognised at the point of the legal completion of the sale and recognised within turnover. The profit or loss recognised in the Statement of Comprehensive Income is calculated by deducting the property's carrying amount and incidental cost of sale from the sale proceeds.

c. Amortised government grants
Revenue grants are recognised when the conditions for receipt of agreed grant funding have been met. Income from capital grants is recognised on a systematic basis over the useful economic life of the asset (usually the property's fabric) for which it was received.

d. Gift aid receivable
Gift aid from the Association's wholly owned subsidiaries is recognised at year-end on a receivable basis and is disclosed in the Statement of Comprehensive Income. Gift aid is eliminated on consolidation in the Group. The Boards of the wholly owned subsidiaries have put in place deeds of covenants which will allow Companies to recognise and action gift aid payments.

e. Service charges receivable
Service charge income is recognised on an accruals basis as it falls due. The Association operates both fixed and variable service charges on a scheme-by-scheme basis in full consultation with residents. The service charge on all schemes is set on the basis of budgeted spend.

Where variable service charges are used the budget will include an allowance for the surplus or deficit from prior years, with a surplus being returned to residents in the form of a reduced charge for the year and a deficit being recovered via a higher service charge or by alternative methods if the contract allows.

f. Management fees
Network Homes Limited manages properties owned by entities outside the Group on behalf of local authorities. Management fees receivable (excluding VAT) for services provided to entities outside the Group are recorded when they fall due.

Internal fees are charged by the parent Network Homes Limited to the subsidiaries for management and support services provided. These fees are apportioned as per the Board approval. Intra-Group fees receivable in the parent company from the wholly owned subsidiaries are eliminated on consolidation.

g. Supporting people contracts
Support service income for provision of extra care for residents with specific needs is recognised on an accruals basis as the services are provided.

h. Commercial activities
Income from the letting of commercial properties including rent and other income like electricity, mobile aerials and insurance is recognised as it falls due on an accruals basis.

Cost of sales

Cost of sales comprises costs of stock sold and incidental costs incurred. Properties developed for outright sales or the first tranche component of shared ownership properties are held at the lower of cost of developing the unit or the estimate of fair value less cost to sell. Fair value less cost to sell is only used when the Association cannot fully recover through sales the cost of developing the units or when there is impairment of the property.

Taxation

The Association has charitable status and is therefore not subject to corporation tax on its charitable activities. Any non-charitable trading activities are carried out in the subsidiaries and they pay gift aid out of their profits to the Association (the parent company). Further details are provided in the gift aid accounting policy below. The Group may be liable to corporation tax based on any taxable profit for the year taking into account differences between certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have occurred but not reversed as at the reporting date. Deferred tax relating to investment property that is measured at fair value in accordance with FRS 102 Section 16 Investment Property has been measured using the tax rates and allowances that apply to the sale of the asset.

Interest payable and similar charges

Interest on borrowings is charged to the Statement of Comprehensive Income over the term of the debt using the effective interest rate method, if the loan is a basic financial liability, to ensure that the amount charged is at a constant rate on the carrying amount.

Costs of issuing debt are recognised as a reduction in the associated financial instrument. Directly attributable costs of obtaining undrawn facilities are amortised over the life of the facility. Both costs are amortised over the life of the loan facility using the effective interest rate method.

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

- interest on borrowings specifically financing the development programme after deduction of social housing grant (SHG) received in advance; or
- interest on borrowings of the Group as a whole after deduction of interest on SHG received in advance to the extent that it can be deemed to be financing the development programme.

Other fixed assets

Other fixed assets are principally assets purchased for use by Network Homes. These assets are acquired in the open market and are stated at cost less accumulated depreciation.

The cost includes their purchase price, costs of improvement and directly attributable staff overheads.

Direct overheads involved with administering IT projects are capitalised to the extent that they are directly attributable to the IT projects and in bringing the systems into their intended use.

Any IT software acquired in the year is recognised at cost of acquisition and disclosed separately in note 12 'Intangible assets and other fixed assets'.

Housing properties

Housing properties are principally properties available for rent and shared ownership properties. Housing properties constructed or acquired in the open market are stated at cost less accumulated depreciation.

The cost of housing properties includes their purchase price, costs of improvement, capitalised interest and directly attributable development overheads.

Direct overheads involved with administering development activities are capitalised to the extent that they are directly attributable to the development process and in bringing the properties into their intended use.

Interest is capitalised using weighted average cost of capital (WACC) rates from the point of acquisition up to the date of practical completion of a property.

Any properties acquired in the year are recognised at cost of acquisition and disclosed separately in note 11 'Housing properties'. Housing properties under construction are reclassified as completed housing properties upon practical completion.

Works to existing properties which replace a component that has been identified separately for depreciation purposes, along with those works that result in enhancing the economic benefits of the properties, are capitalised as improvements. Where a component is replaced the cost and related depreciation are eliminated from housing properties.

Economic benefits are enhanced if work performed results in an increase in rental income, a reduction in future maintenance costs or a significant extension to the useful economic life of a property. Shared ownership properties are split between current and non-current assets based on the anticipated proportion to be a first tranche sale with the first tranche proportion recognised as a current asset.

Depreciation of housing properties

Freehold land and housing properties under construction are stated at cost and are not depreciated. The proportion of shared ownership properties expected to be sold in the first tranche is held as stock. When completed housing properties are added to the asset register, there is no depreciation in the year of addition and a full year's depreciation is provided in the year of disposal.

Housing properties are split into their major components. Each component is depreciated on a straight-line basis over its estimated useful economic life to its estimated residual value. The different components and their useful lives are as below:

Component Category	Life (Years)
Fabric	100
Roofs	60
Windows and doors	25
Kitchens	25
Bathrooms	25
Boilers	20
Mechanical and electrical	30
Service contractors	20

Service contractors comprise capital costs relating to lifts, FRA works, CCTV, warden call systems and other similar communal capital costs. Housing properties held on long leases are depreciated in the same manner as freehold properties, except where the unexpired lease term is shorter than the component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Impairment of housing properties and other fixed assets

Tangible fixed assets (mainly housing properties) are assessed for indicators of impairment at each reporting date. Where indicators are identified a detailed assessment is then undertaken to determine the recoverable amount of the assets or cash generating units (CGU).

The recoverable amount will be the higher of fair value less costs to sell, or Existing Use Value for Social Housing (EUV-SH) or Value in Use (in respect of assets held for their service potential) (VIU-SP). As allowed by Housing SORP 2018 the Group uses depreciated replacement cost as a reasonable estimate of VIU-SP.

If an impairment loss exceeds the accumulated gains in the reserves in respect of that asset or CGU, the excess will be recognised in the Statement of Comprehensive Income. The Group defines CGUs as schemes except where its schemes are not sufficiently large enough in size or where it is sensible to group schemes into larger CGUs.

Depreciation of other tangible fixed assets

Tangible assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected useful economic lives of other tangible fixed assets to write off the cost less estimated residual values. The useful economic lives for other tangible fixed assets are as follows:

Asset	Life (Years)
Computer hardware and software	3 to 5
Office fixtures and furniture	10
Office equipment	10
Office property	50

Building safety

Buildings that have been identified to require major works to give adequate protection against the risk of fire are investigated and the cost of works to remedy calculated. When a communication is issued to residents to begin remedial works to the buildings, a provision is created to recognise the total cost of the works. The provision is created as the communication to residents creates a constructive obligation to complete the works to the buildings. The carrying value of the existing component that is being replaced is determined and this value is depreciated on an accelerated basis over the period of the capital works taking place. The leasehold portion of the works is recognised in the statement of comprehensive income and the tenanted portion is capitalised as a replacement of an asset component within housing properties. Any expected recoveries for the costs of works are raised as accrual for income or grant providing that all performance related conditions have been met.

Investment properties

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

Investment properties under construction are measured in the Statement of Financial Position using the purchase price, construction costs to date, directly attributable development overheads and capitalised interest. Any additional new properties are measured at acquisition cost.

Fair value is determined annually and is derived from current market rents and investment property yields for comparable properties, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Any impairment is recognised in the Statement of Comprehensive Income in the year when the impairment occurs. Investment properties are not depreciated.

Intangible assets

Intangible assets consist of software that is either acquired externally or is developed internally. Software is measured at cost less accumulated amortisation and impairment losses.

Software is recognised as an intangible asset when the following criteria are met:

- it is feasible that the software will be available for use to the Association and the software will generate probable future economic benefits such as improving efficiencies or reducing costs;
- adequate financial and other resources are available to complete the development and implementation of the software;
- the software is identifiable and there is an intention to implement and use it; and
- the costs attributable to the software during its development can be reliably measured.

Amortisation is charged using the straight-line method to allocate the cost of software over the estimated useful economic life. Software costs are amortised over a 3 to 5 year useful economic life.

Stock

Stock represents both completed properties and properties under construction:

- for outright sales carried out in subsidiaries of Network Homes; and
- the proportion of shared ownership properties that are anticipated to be sold as a first tranche.

Stock is valued at the lower of cost and net realisable value. Cost includes acquisition and development costs together with capitalised interest. Net realisable value is based on the estimated selling price less selling costs.

Shared equity loans

Under the shared equity scheme, the Association lends the acquirer of one of its properties 20% of the purchase price as an interest free loan for up to five years. The acquirer may repay the loan at any time, but after five years the acquirer will be required to pay an interest rate as instructed by Homes England.

The Association receives a grant from Homes England to part finance the shared equity loan scheme. The grant is repayable to the extent that the loan is repaid in excess of the 20% purchase price. The loans are considered to be Public Benefit Entity Concessionary Loans (as defined by FRS 102 Paragraph PBE34.88) and are consequently measured at the amount advanced, less any provisions for impairment.

Financial assets

Basic financial assets, including tenant debtors and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

Financial liabilities

Basic financial instruments, including trade and other payables, bank loans and loans from other Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the instrument is measured at the present value of the future payments discounted at a market rate of interest. These instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fair values are determined in line with paragraph 11.27 of FRS 102 using exit prices quoted by the counterparty as the best estimate of fair value where available. Where the terms of a financial liability are renegotiated with substantially different terms, the original financial liability is de-recognised and a new financial liability is recognised. The difference between the carrying amount of the financial liability de-recognised and the consideration paid (including any non-cash assets transferred or liabilities assumed) for the new financial liability is recognised in the Statement of Comprehensive Income.

Social housing grant (SHG) and other capital grants

SHG is receivable from Homes England and other grants are receivable from local authorities.

SHG and other capital grants are accounted for using the accruals model. Grant is recognised as deferred income in the Statement of Financial Position and released to the Statement of Comprehensive Income on a systematic basis over the useful economic life of the asset for which it was received, usually a housing property's fabric.

Upon the sale of a grant funded property, any attributable grant becomes recyclable and is transferred to the recycled capital grant fund (RCGF) or disposal proceeds fund (DPF) for right to acquire units until it is reinvested in a replacement property. The related grant amortisation is charged to the Statement of Comprehensive Income and is disclosed as part of the contingent liabilities until the property it funds is disposed of or ceases to be used for social housing purposes. The only exemption to this is the £10m grant received from the local authority for properties in Lambeth. This grant is not repayable and there is no need to recycle any part of it.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The unwinding of the provisions discount due to the passage of time is recognised as a finance cost.

The Group provides for tenants' rent arrears based on the ageing of the debt as well as the type of debtor (current and former tenant). The level of provisioning is based on the collection rates for each ageing group and on cash collected over a period of twelve months.

Operating leases

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Employee benefits – short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Employee benefits – long term benefits

The Association operates both defined benefit and defined contribution schemes.

(a) Defined benefit schemes

The Group operated a defined benefit plan for employees in the past. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Association engages independent actuaries, Hymans Robertson LLP to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 're-measurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in the Statement of Comprehensive Income as employee costs, except where included in the cost of an asset, comprises:

(a) the increase in pension benefit liability arising from employee service during the period; and

(b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the Statement of Comprehensive Income as 'finance expense'.

(b) Defined contribution scheme

Contributions are recognised as an expense in the Statement of Comprehensive Income when due.

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Association and SW9 Community Housing pay fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the Association in independently administered funds.

(c) Multi-employer pension scheme

The Group is a member of a multi-employer Social Housing Pension Scheme (SHPS). The Pension Trust (TPT) administers this scheme, which provides benefits to non-associated participating employers. The scheme is classed as a defined benefit scheme in the UK.

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

Value added tax (VAT)

The Group is partially exempt in relation to VAT and accordingly is able to recover from HM Revenue and Customs part of the VAT incurred on expenditure. At the year end VAT recoverable or payable is included in the Statement of Financial Position. Irrecoverable VAT is accounted for in the Statement of Comprehensive Income within the relevant expense line.

Where the Group has entered into a VAT shelter arrangement (usually to assist with the regeneration of local authority housing stock), the financial statements reflect the underlying substance of the transaction on a gross basis. The receivable from the local authority is shown in current and non-current debtors and the Group's legally binding obligation to the local authority under the refurbishment contract is shown in provisions for liabilities and charges.

Gift aid

Gift aid payments are treated as distribution of reserves by the paying entity and recognised only on creation of a legal obligation. Gift aid receipts are treated as income from an investment in a subsidiary by the receiving entity. Gift aid from the Association's wholly owned subsidiary is recognised at year-end on a receivable basis and is disclosed in the Statement of Comprehensive Income. Gift aid across the Group is eliminated on consolidation. Gift aid payments by the subsidiaries are disclosed separately in their individual financial statements.

2. Critical accounting judgements and estimation uncertainty

The preparation of financial statements in conformity with FRS 102 requires management to exercise its judgement in the process of applying the Association's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. Critical judgements in applying the Group's accounting policies

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

(i) Capitalisation of property development costs

Management decision to allow capitalisation of development costs requires judgement. Once the Board decision is made and a planning permission is granted, a project will continue and development costs will be capitalised. After capitalisation, management monitors the project and considers whether events indicate that an impairment review is required.

(ii) Capitalisation of building safety costs

Capitalisation for the total cost of building safety works requires judgement. Once the cost of work has been determined and the intention to start remediation work has been communicated to the residents, a provision for the total cost of the project is made.

(iii) Determining whether an impairment review is required (note 11)

Tangible fixed assets (mainly housing properties) are assessed for indicators of impairment at each reporting date in accordance with FRS 102 27.7. Indicators include: changes in government policy, a reduction in the market value of properties where the occupant has the right to acquire, a reduction in the demand for a property, losses from operating that property, obsolescence of a property or contamination of a site. Impairment is tested at cash generating unit (CGU) level which is at scheme level. Indicators for properties under construction include any unforeseen additional costs that do not add value.

If there is no such indication, it may be assumed that there is no impairment. Any assets which elicit indicators of impairment are reviewed at each reporting date. The main recurring areas of review in respect of impairment are as follows:

- Mixed tenure development schemes (part rented and part shared ownership);
- Shared ownership schemes (newly-developed units);
- Properties intended for demolition;
- Work in progress;
- Units with high void rates; and
- Units with cladding issues

Where the carrying value of the asset is higher than its recoverable amount, impairment is required. The recoverable amount is the higher of value in use or fair value less costs to sell as represented by VIU-SP or EUV-SH. The Group uses Depreciated Replacement Cost (DRC) as a proxy of VIU-SP for recoverable amount.

For calculating DRC, the Association has estimated that the average build cost of developing new properties is between £2,847 and £4,021 per square metre depending on the property type (for example, whether the building is tall or below 9 storeys high). This cost per square metre is multiplied by the size of individual units and then depreciated over the remaining useful life of the asset. The DRC for 2021 was calculated on the schemes where building safety works are due to take place. The calculation covered both general needs and shared ownership stock. The net calculation per unit is then grouped together into cash generating units (CGUs). The calculated DRC is compared against the net book value (NBV) of the CGU. For this calculation the Association included the cost of fabric and roofs only.

Based on impairment review, no units were impaired in 2021 (2020: no units were impaired).

(b) Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) Provisions (note 23)

Provisions in the year are made for dilapidations on lease termination, which requires management's best estimate of the costs that will be incurred at the time of lease handover. Timing of the cash flows is per lease agreement. Discount rates used to establish net present value of the dilapidations obligations are based on statistical information.

(ii) Property valuation

The Coronavirus Pandemic has impacted global financial markets and market activity is being impacted in many sectors. Prior to the Pandemic, there was generally a steady although increasingly cautious demand for similar investment properties. However, it has been noted that some market commentators and valuers were suggesting the investment market had reached a peak and that if any significant negative influences are applied to the UK economy there could be a downward correction in pricing.

(iii) Useful economic lives of tangible fixed assets and capitalisation of overheads (note 11)

Management reviews the useful economic lives of depreciable assets annually based on the expected utility of the assets. They are amended when necessary to reflect current estimates based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

The key judgements and estimates applied in respect of housing properties are disclosed in note 11 and include:

- the useful economic life of property fabric at 100 years and
- properties have no residual value at the end of useful life.

Overheads departments provide information on time spent on each capital project. This information is the basis for the capitalisation of overhead costs.

The above assumptions have been aligned with general practice followed by other registered housing providers.

Notes to the Financial Statements
for the year ended 31 March 2021

(iv) Stock (note 18)
Housing stock for sale is recognised at the lower of cost and net realisable value. In assessing net realisable value management considers publicly available information and internal forecasts on future sales activity.

We have reviewed the sales value of our homes for sale, both available for sale and in construction. Information from actual sales values achieved, mortgage valuations provided to potential residents and discussions with developers and estate agents have been used to review current sales values.

We have also incorporated higher sales costs, including staff resources and incentives, to reflect more difficult selling conditions. For example, cost inflation and volatility are becoming more significant considerations and increasingly impacting on property sales.

(v) Allocation of costs for mixed tenure developments (notes 11 and 18)
The Association develops mixed scheme properties and receives invoices for development costs that are not split by tenure such as shared ownership, outright sales or affordable rents in the mixed scheme. As a result, the Association makes estimates based on floor area or unit numbers as advised by the Board in advance of scheme development.

(vi) Market interest rates for financing transactions (note 24)
On calculating the net present value of the new restructured loans, the Group had to estimate what the market interest rate would be for these loans, as fixed rate loans with maturities in excess of 40 years are not readily available. The Group estimated that the rate would be 3.67%, being a combination of the rate on an equivalent maturity instrument and an estimate of the Group's margin over that rate.

(vii) Rent collection
Rental income collection has always been under strict monitoring and recently all internal monitoring structures have been further strengthened. The key assumptions for revenue are monitored through business plans, monthly budgets and forecasts. Although the external environment is expected to remain challenging, Network Homes currently estimates that the collection rates will remain broadly the same.

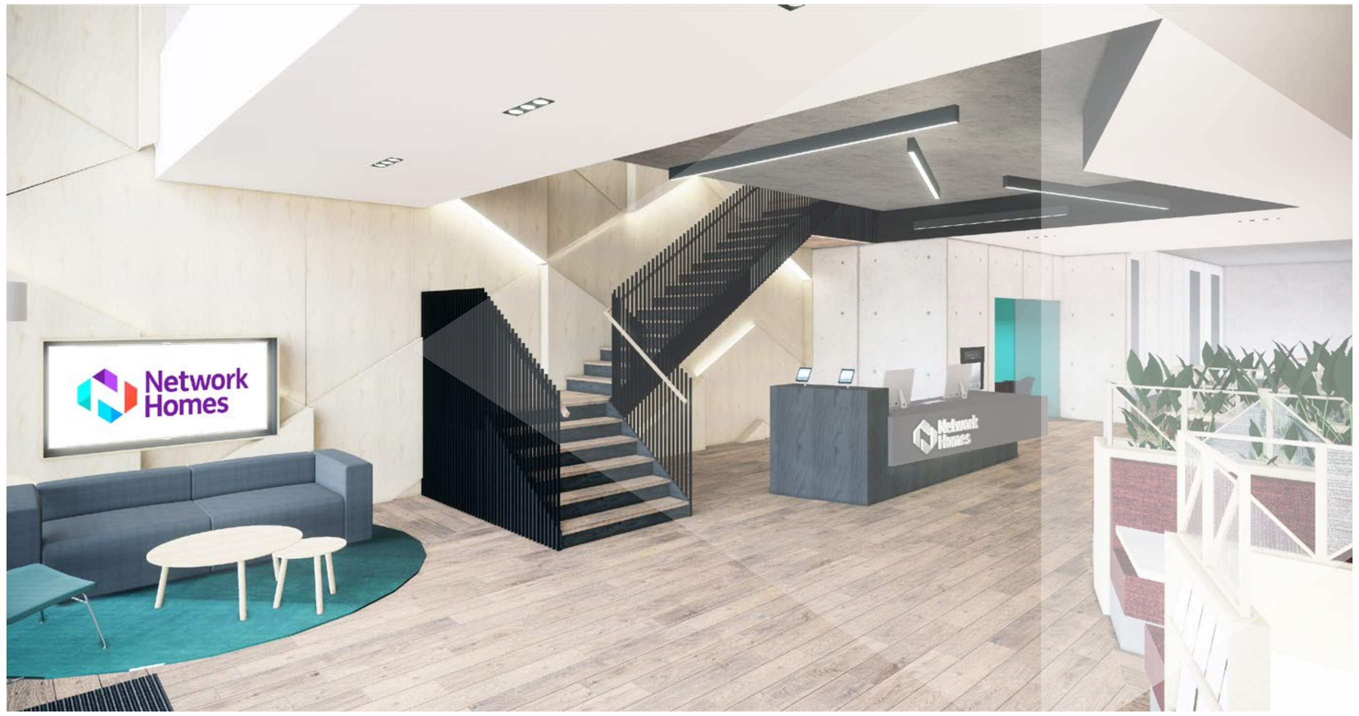
3. Particulars of turnover, cost of sales, operating costs and operating surplus

Group	2021 Turnover £'000	2021 Cost of sales £'000	2021 Operating costs £'000	2021 Operating surplus / (deficit) £'000	2020 Turnover £'000	2020 Cost of sales £'000	2020 Operating costs £'000	2020 Operating surplus / (deficit) £'000
Social housing lettings (Note 4)	**146,608**	**-**	**(108,949)**	**37,659**	**145,507**	**-**	**(113,253)**	**32,254**
Other social housing activities								
Supporting people contract income	-	-	-	-	81	-	(81)	-
Housing management administration	-	-	-	-	-	-	-	-
London Living Rent (BTR)	4,392	-	(1,598)	2,794	2,272	-	(1,243)	1,029
Community development	-	-	(282)	(282)	-	-	(314)	(314)
Sale of first tranche properties	20,821	(16,021)	(2,405)	2,395	23,663	(17,102)	(2,582)	3,979
Housing property sales	17,239	(7,990)	(314)	8,935	17,432	(9,106)	(440)	7,886
Other	4,848	-	(425)	4,423	2,529	-	-	2,529
Other social housing activities	**47,300**	**(24,011)**	**(5,024)**	**18,265**	**45,977**	**(26,208)**	**(4,660)**	**15,109**
Total social housing activities	**193,908**	**(24,011)**	**(113,973)**	**55,924**	**191,484**	**(26,208)**	**(117,913)**	**47,363**
Non-social housing activity								
Outright sale of properties	41,976	(27,521)	(837)	13,618	4,336	(3,133)	(248)	955
Garage rent	848	-	-	848	735	-	-	735
Commercial activities	2,336	-	(2,413)	(77)	1,939	-	(798)	1,141
Revaluation surplus/(loss) on investment properties	2,135	-	-	2,135	(569)	-	-	(569)
Fully staircased properties	2,510	-	(3,933)	(1,423)	6,941	-	(3,868)	3,073
Other	3,324	-	(527)	2,797	788	-	(384)	404
Total non-social housing activity	**53,129**	**(27,521)**	**(7,710)**	**17,898**	**14,170**	**(3,133)**	**(5,298)**	**5,739**
Total	**247,037**	**(51,532)**	**(121,683)**	**73,822**	**205,654**	**(29,341)**	**(123,211)**	**53,102**

Notes to the Financial Statements
for the year ended 31 March 2021

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

Association	2021 Turnover £'000	2021 Cost of sales £'000	2021 Operating costs £'000	2021 Operating surplus / (deficit) £'000	2020 Turnover £'000	2020 Cost of sales £'000	2020 Operating costs £'000	2020 Operating surplus / (deficit) £'000
Social housing lettings (Note 4)	**138,126**	**-**	**(101,338)**	**36,788**	**137,858**	**-**	**(106,395)**	**31,463**
Other social housing activities								
Supporting people contract income	-	-	-	-	81	-	(81)	-
Housing management administration	-	-	-	-	-	-	-	-
Community development	-	-	(282)	(282)	-	-	(245)	(245)
London Living Rent (BTR)	4,392	-	(1,598)	2,794	2,272	-	(1,243)	1,029
Sale of first tranche properties	20,821	(16,020)	(2,404)	2,397	23,663	(17,102)	(2,581)	3,980
Housing property sales	17,239	(7,990)	(314)	8,935	17,432	(9,106)	(440)	7,886
Other	5,557	-	(424)	5,133	2,149	-	-	2,149
Other social housing activities	**48,009**	**(24,010)**	**(5,022)**	**18,977**	**45,597**	**(26,208)**	**(4,590)**	**14,799**
Total social housing activities	**186,135**	**(24,010)**	**(106,360)**	**55,765**	**183,455**	**(26,208)**	**(110,985)**	**46,262**
Non-social housing activity								
Outright sale of properties	475	(136)	-	339	-	-	-	-
Garage rent	725	-	-	725	736	-	-	736
Commercial activities	2,265	-	(2,451)	(186)	1,939	-	(797)	1,142
Revaluation surplus/(loss) on investment properties	2,265	-	-	2,265	(529)	-	-	(529)
Fully staircased properties	2,510	-	(3,934)	(1,424)	6,941	-	(2,806)	4,135
Other	3,030	-	-	3,030	94	-	-	94
Total non-social housing activity	**11,270**	**(136)**	**(6,385)**	**4,749**	**9,181**	**-**	**(3,603)**	**5,578**
Gift aid receivable	**-**	**-**	**-**	**12,988**	**-**	**-**	**-**	**3,264**
Total	**197,405**	**(24,146)**	**(112,745)**	**73,502**	**192,636**	**(26,208)**	**(114,588)**	**55,104**



4. Income and expenditure from social housing lettings

Group 2021	General rented £'000	Sheltered £'000	Leasehold and Shared ownership £'000	Short stay £'000	Intermediate £'000	Total 2021 £'000
Income from lettings						
Rent receivable	89,615	7,226	9,561	6,572	12,381	125,355
Charges for supporting services	109	72	-	-	-	181
Service charges receivable	3,732	2,953	3,487	-	487	10,659
Amortised government grants	7,740	-	-	-	-	7,740
Other income	2,414	-	-	259	-	2,673
	103,610	**10,251**	**13,048**	**6,831**	**12,868**	**146,608**
Expenditure on letting activities						
Management	19,101	1,685	3,303	1,032	3,299	28,420
Service charge costs	15,561	2,186	1,589	257	473	20,066
Support costs	-	-	-	-	-	-
Routine maintenance	14,510	78	128	254	282	15,252
Planned maintenance	7,059	10	1,774	156	211	9,210
Capitalised Repairs	411	-	15	6	9	441
Property lease charges	654	-	-	5,094	595	6,343
Total depreciation	22,154	2,160	1	1,560	2,938	28,813
Rent losses from bad debts	(256)	95	210	282	73	404
	79,194	**6,214**	**7,020**	**8,641**	**7,880**	**108,949**
Operating surplus/(deficit) on lettings	**24,416**	**4,037**	**6,028**	**(1,810)**	**4,988**	**37,659**
Void losses	**(1,441)**	**(404)**	**(73)**	**(141)**	**(1,761)**	**(3,820)**

Group 2020	General rented £'000	Sheltered £'000	Leasehold and Shared ownership £'000	Short stay £'000	Intermediate £'000	Total 2020 £'000
Income from lettings						
Rent receivable	85,502	7,090	4,090	16,020	13,124	125,826
Charges for supporting services	-	106	-	-	-	106
Service charges receivable	4,042	3,135	3,070	-	484	10,731
Amortised government grants	7,907	-	-	-	-	7,907
Other income	-	-	-	937	-	937
	97,451	**10,331**	**7,160**	**16,957**	**13,608**	**145,507**
Expenditure on letting activities						
Management	23,553	1,489	1,967	2,390	2,989	32,388
Service charge costs	11,771	1,954	1,377	83	636	15,821
Support costs	-	-	-	-	-	-
Routine maintenance	11,431	68	130	587	258	12,474
Planned maintenance	7,794	24	47	120	239	8,224
Capitalised Repairs	434	(20)	-	8	24	446
Property lease charges	640	-	-	14,327	634	15,601
Total depreciation	26,785	1	1	63	46	26,896
Rent losses from bad debts	906	48	11	240	198	1,403
	83,314	**3,564**	**3,533**	**17,818**	**5,024**	**113,253**
Operating surplus/(deficit) on lettings	**14,137**	**6,767**	**3,627**	**(861)**	**8,584**	**32,254**
Void losses	**(1,235)**	**(212)**	**(46)**	**(362)**	**(650)**	**(2,505)**

4. Income and expenditure from social housing lettings – continued

Association 2021	General rented £'000	Sheltered £'000	Leasehold and Shared ownership £'000	Short stay £'000	Intermediate £'000	Total 2021 £'000
Income from lettings						
Rent receivable	84,586	6,704	9,305	6,572	12,381	119,548
Charges for supporting services	109	72	-	-	-	181
Service charges receivable	3,014	2,681	2,365	-	487	8,547
Amortised government grants	7,740	-	-	-	-	7,740
Other income	1,851	-	-	259	-	2,110
	97,300	**9,457**	**11,670**	**6,831**	**12,868**	**138,126**
Expenditure on letting activities						
Management	15,220	1,172	2,458	1,032	3,299	23,181
Service charge costs	13,945	1,979	1,248	257	473	17,902
Support costs	-	-	-	-	-	-
Routine maintenance	13,901	-	-	254	282	14,437
Planned maintenance	6,981	-	1,758	156	211	9,106
Capitalised Repairs	411	-	15	6	9	441
Property lease charges	654	-	-	5,094	595	6,343
Total depreciation	22,148	2,159	-	1,560	2,938	28,805
Rent losses from bad debts	460	96	212	282	73	1,123
	73,720	**5,406**	**5,691**	**8,641**	**7,880**	**101,338**
Operating surplus/(deficit) on lettings	**23,580**	**4,051**	**5,979**	**(1,810)**	**4,988**	**36,788**
Void losses	**(1,053)**	**(339)**	**(37)**	**(141)**	**(1,761)**	**(3,331)**

Association 2020	General rented £'000	Sheltered £'000	Leasehold and Shared ownership £'000	Short stay £'000	Intermediate £'000	Total 2020 £'000
Income from lettings						
Rent receivable	80,479	6,699	3,876	16,020	13,124	120,198
Charges for supporting services	-	106	-	-	-	106
Service charges receivable	3,237	2,911	2,078	-	484	8,710
Amortised government grants	7,907	-	-	-	-	7,907
Other income	-	-	-	937	-	937
	91,623	**9,716**	**5,954**	**16,957**	**13,608**	**137,858**
Expenditure on letting activities						
Management	19,954	1,122	1,633	2,390	2,989	28,088
Service charge costs	10,931	1,954	793	83	636	14,397
Support costs	-	-	-	-	-	-
Routine maintenance	10,800	2	1	587	258	11,648
Planned maintenance	7,564	-	-	120	239	7,923
Capitalised Repairs	434	(20)	-	8	24	446
Property lease charges	640	-	-	14,327	634	15,601
Total depreciation	26,780	-	-	63	46	26,889
Rent losses from bad debts	906	48	11	240	198	1,403
	78,009	**3,106**	**2,438**	**17,818**	**5,024**	**106,395**
Operating surplus/(deficit) on lettings	**13,614**	**6,610**	**3,516**	**(861)**	**8,584**	**31,463**
Void losses	**(987)**	**(212)**	**(46)**	**(362)**	**(650)**	**(2,257)**

5. Employee information

The monthly average number of persons employed during the year, including the Executive Officers, is based on an assumption that a full time equivalent employee (FTE) works 35 hours and includes employees on both permanent and fixed term contracts:

	Group		Association	
	2021 FTE	2020 FTE	2021 FTE	2020 FTE
Office-based staff	499	488	458	457
Scheme-based staff	33	32	31	30
	532	**520**	**489**	**487**

Staff costs for the above employees were:

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Wages and salaries	24,420	22,576	23,077	21,585
Redundancy payments	684	204	634	196
Social Security costs	2,538	2,360	2,401	2,258
Pension costs	1,764	1,123	1,686	1,070
Total	**29,406**	**26,263**	**27,798**	**25,109**

The Association participates in the SHPS defined contributions scheme and costs paid in the year were £1,686k (2020: £1,070k). This amount includes £46k of administrative cost payable to TPT in respect of managing past service deficit.

During the year, the Association made a contribution towards past service deficit of £1,988k excluding TPT admin costs of £46k (2020: £1,760k). This contribution has offset the net pension liability as per note 35.

The number of staff (including the Chief Executive Officer) receiving remuneration in excess of £60,000 per annum at 31 March 2021 is as follows

Banding	Group		Association	
	2021 FTE	2020 FTE	2021 FTE	2020 FTE
£60,000 - £69,999	36	31	34	31
£70,000 - £79,999	25	22	25	21
£80,000 - £89,999	12	13	12	13
£90,000 - £99,999	6	7	6	7
£100,000 - £109,999	4	2	4	2
£110,000 - £119,999	3	6	2	5
£120,000 - £129,999	5	2	4	2
£130,000 - £139,999	1	-	1	-
£140,000 - £149,999	1	1	1	1
£150,000 - £159,999	-	2	-	2
£160,000 - £169,999	2	1	2	1
£170,000 - £179,999	1	1	1	1
£180,000 - £189,999	1	1	1	1
£190,000 - £199,999	3	1	3	1
£200,000 - £209,999	1	2	1	2
£250,000 - £259,999	1	-	1	-
£260,000 - £269,999	-	1	-	1
	102	**93**	**98**	**91**

6. Directors' emoluments

The Directors are defined as members of the Board and the Executive Leadership Team (ELT). Their emoluments, including bonuses and pension for 2020-21 are:

		Appointed (A) / Resigned (R)	Basic salary / fees	Expenses	Total remuneration	Bonus / other payments	Pension contribution	Benefits in kind (BUPA)	Total emoluments
Non-Executive Officers			£	£	£	£	£	£	£
Bernadette Conroy	Network Homes Limited Board Chair		22,750	-	22,750	-	-	-	22,750
Anne Turner	Vice Chair of the Network Homes Board & FC Chair		14,178	103	14,281	-	-	-	14,281
Jonathan Gooding	Vice Chair of the Network Homes Board & IC Chair		14,178	-	14,178	-	-	-	14,178
Barbara Brownlee	Board Member		10,038	-	10,038	-	-	-	10,038
Alan Hall	Board Member		12,500	107	12,607	-	-	-	12,607
Ronen Journo	Board Member		10,000	-	10,000	-	-	-	10,000
Rachel King	Board Member		10,000	-	10,000	-	-	-	10,000
Paul Plummer	Board Member		10,000	-	10,000	-	-	-	10,000
Jaz Saggu	Board Member		10,000	156	10,156	-	-	-	10,156
Valerie Vaughan-Dick	Board Member		12,500	-	12,500	-	-	-	12,500
Sean West	Board Member		10,000	-	10,000	-	-	-	10,000
			136,144	**366**	**136,510**	**-**	**-**	**-**	**136,510**
Executive Officers									
Helen Evans			238,461	5	238,466	18,940	-	2,245	259,651
Jamie Ratcliff			162,322	-	162,322	12,000	15,300	883	190,505
Peter Benz			179,708	505	180,212	-	5,049	1,028	186,289
Gerry Doherty			165,942	405	166,348	12,750	15,300	1,563	195,961
David Gooch			167,640	134	167,774	24,847	15,467	1,692	209,780
Fiona Deal		R 15/04/2021	163,000	289	163,289	15,000	15,300	1,499	195,088
Tabitha Kassem			147,700	-	147,700	9,194	16,255	-	173,149
			1,224,773	**1,338**	**1,226,111**	**92,731**	**82,671**	**8,910**	**1,410,423**
			1,360,917	**1,704**	**1,362,621**	**92,731**	**82,671**	**8,910**	**1,546,933**

6. Directors' emoluments – continued

The Directors are defined as members of the Board and the Executive Leadership Team (ELT). Their emoluments, including bonuses and pension for 2019-20 are:

		Appointed (A) / Resigned (R)	Basic salary / fees	Expenses	Total remuneration	Bonus / other payments	Pension contributions	Benefits in kind (BUPA)	Total emoluments
Non-Executive Officers			£	£	£	£	£	£	£
Bernadette Conroy	Network Homes Limited Board Chair		22,727	-	22,727	-	-	-	22,727
Anne Turner	Board Member		12,313	2,006	14,319	-	-	-	14,319
Jonathan Gooding	Board Member		12,313	-	12,313	-	-	-	12,313
Barbara Brownlee	Board Member	A 31/3/2020	-	-	-	-	-	-	-
Jaz Saggu	Board Member		9,813	961	10,774	-	-	-	10,774
Paul Plummer	Board Member		9,813	-	9,813	-	-	-	9,813
Rachel King	Board Member		9,813	-	9,813	-	-	-	9,813
Ronen Journo	Board Member		9,813	230	10,043	-	-	-	10,043
Sean West	Board Member		9,813	32	9,845	-	-	-	9,845
Trevor Morley	Vice Chair	R 30/07/2019	4,500	-	4,500	-	-	-	4,500
Valerie Vaughan-Dick	Board Member		12,313	37	12,350	-	-	-	12,350
			113,231	**3,266**	**116,497**	**-**	**-**	**-**	**116,497**
Executive Officers									
Helen Evans			240,570	1,104	241,674	24,333	-	2,145	268,152
Jamie Ratcliff		A 1/4/2019	160,000	1,155	161,155	-	12,500	885	174,540
Jon Dawson		R 15/4/2019	181,499	-	181,499	12,674	6,936	366	201,475
Gerry Doherty			158,735	676	159,411	12,373	14,873	1,506	188,163
David Gooch			163,674	518	164,192	23,839	15,163	1,621	204,815
Fiona Deal			156,451	369	156,820	26,680	14,715	1,449	199,664
Peter Benz			227,800	-	227,800	-	-	-	227,800
Tabitha Kassem			133,700	398	134,098	17,891	12,460	-	164,449
			1,422,429	**4,220**	**1,426,649**	**117,790**	**76,647**	**7,972**	**1,629,058**
			1,535,660	**7,486**	**1,543,146**	**117,790**	**76,647**	**7,972**	**1,745,555**

6. Directors' emoluments – continued

	2021 £'000	2020 £'000
Aggregate emoluments payable to Executive Directors	1,328	1,552
Aggregate emoluments payable to non-executive Directors	137	116
	1,464	**1,668**
Pension contributions payable to Executive Directors	**83**	**77**
Total emoluments	**1,547**	**1,745**
Emoluments paid to the highest paid Director, excluding pension contributions	**260**	**268**

During the year, Network Homes did not pay any pension contributions into a defined contribution scheme on behalf of the Chief Executive (2020: £nil). The Association did not make any contribution to any individual pension arrangement on her behalf. The notice period for termination of her contract is six months.

No pension contributions were made on behalf of any non-executive Directors.

Ratio of highest to lowest earners

The ratio of the highest earner in the Group compared to the average earner (annualised salary) is as follows:

	2021	2020
Ratio of highest to average earner	5.29:1	5.56:1

Chief Executive, Board Chair's and total board members' remuneration as a £ per owned unit basis:

	2021 (based on total no of units)	2020 (based on total no of units)
Chief Executive remuneration per home (£)	12.47	12.86
Executive remuneration per home (£)	67.75	78.14
Board Chair's remuneration per home (£)	1.09	1.09
Total Board members remuneration per home, incl chair (£)	6.56	5.59

Units 2021: 20,819 (2020: 20,849)

6. Directors' emoluments – continued

Other directorships

Board and Committee members had the following external directorships, not including directorships of subsidiaries or associates of Network Homes Limited.

Member	Nature of Interests	Network Homes Membership
Bernadette Conroy	Independent Chair, University of Cambridge (and subsidiary Lynxvale Ltd); Director, NED Financial Conduct Authority (FCA); NED Community Health Partnerships, North London Estates Partnership; NED Milton Keynes Development Partnership	Chair and Member of Network Homes Board; Member of Customer Services Committee, Investment Committee, Finance Committee; Board Member of Network Treasury Services Ltd
Helen Evans	Chair of Board of Trustees, Joseph Rowntree Housing Trust; Trustee of the Joseph Rowntree Foundation	Member of Network Homes Board; Member of Customer Services Committee, Investment Committee, Finance Committee; Board Member of Network Treasury Services Ltd; Director of Network Living Limited
Anne Turner	Board Member and Chair of Audit Committee, Housing 21; Board Member and Interim Chair, PA Housing Member of the SHPS Employer Committee (nominated by Network)	Vice Chair and Member of Network Homes Board; Chair of Finance Committee and Network Treasury Services Ltd.; Standing Observer of Investment Committee
Sean Allan West	Chief Financial Officer and Executive Board director for the Arqiva Group (UK Broadcast and communications infrastructure business).	Member of Network Homes Board; Member of Network Treasury Services Ltd; Board Member of Audit & Risk Committee and Finance Committee
Dr. Jasvinder Singh Saggu	Group Chief Operating Officer at Furness Insurance Services Ltd; Independent Non-Executive Director and Council Member at Cranfield University and British Heart Foundation	Member of Network Homes Board; Board Member of Network Treasury Services Ltd; Member of Finance Committee and People, Governance and Culture Committee
Dr. Valerie Vaughan-Dick	Chief Operating Officer at RCGP; Director on RCGP Enterprises Ltd, RCGP Conferences Ltd. and RCGP International Ltd., Chair of Woolwich Creative District Trust; prospective Chair of Wandle HA (awaiting approval)	Chair and Member of Audit & Risk Committee; Member of Network Homes Board
Paul Plummer	Non-Executive Director, National Grid Eso; Professor in Rail Strategy, University of Birmingham	Member of Network Homes Board; Chair and Member of People, Governance & Culture Committee; Member of Audit & Risk Committee
Rachel King	People Director, Camelot UK Lotteries Ltd	Member of Network Homes Board, People, Governance & Culture Committee and Customer Services Committee
Alan Hall	Magistrate on the North Essex Bench	Member of Network Homes Board, Chair and Member of Customer Services Committee and Member of Investment Committee
Ronen Journo	Senior Managing Director: Head of European Management Services & Operations at Hines Europe, reporting to the CEO Lars Huber. Board Advisor to several start-ups: ARC Club, SpaceOs, Basking, Placense, JUCE, WorkClub – no remuneration other than symbolic stock options; Member of The Cabinet Office, GPA Challenge Panel	Member of Network Homes Board; Member of Customer Services Committee and People, Governance & Culture Committee
Jonathan Michael Gooding	Member of Investment Committee UK Affordable Housing Fund, BMP REP; Chair, LTYD Homes Ltd. (part of Lendlease Group)	Vice-Chair and Member of Network Homes Board; Chair of Investment Committee; Member of Finance Committee; Member of Network Treasury Services Ltd, Member of Network Homes Investments Ltd and Member of Network Affordable Developments Ltd

6. Directors' emoluments – continued

Member	Nature of Interests	Network Homes Membership
Barbara Brownlee	Managing Director of Westminster Builds	Member of Network Homes Board, Audit & Risk Committee and Investment Committee
Francis Haydon	None	Member of Customer Services Committee
Dee Alapafuja	Resident of Network Homes; Board Member of SW9 Community Housing	Member of Customer Services Committee
David Coulter	None	Member of Audit & Risk Committee
Phillip Lyon	Resident of Network Homes; Resident Panel member, Housing Ombudsman	Member of Customer Services Committee
Amina Graham	Executive Director of People and Systems at H21	Member of Customer Services Committee
Adeoye Adebayo	Director, AOA Property Consulting Limited	Member of Investment Committee
Charlene Jones	None	Member of Audit & Risk Committee
Shauna Hutchinson	None	Member of People, Governance & Culture Committee
Mavis Oti Addo Boateng	None	Member of Finance Committee
Matthew Backler	Deputy Director of Finance, East Sussex Healthcare NHS Trust	Member of Audit & Risk Committee

7. Interest receivable and other income

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Interest receivable on deposits	71	477	69	456
Interest receivable on deposits	-	-	-	-
Interest receivable on loans to Group undertakings	-	-	115	293
Other	336	34	336	34
Total interest income on financial assets measured at amortised cost	**407**	**511**	**520**	**783**
Restructuring of financial instruments	**97**	**94**	**97**	**94**

8. Interest and financing costs

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Housing loans	39,440	38,808	40,060	39,611
Less: interest capitalised	(9,419)	(9,439)	(9,419)	(9,608)
Loan cost amortisation	711	1,120	711	1,120
Other finance costs	1,671	1,642	1,671	1,642
Sinking Fund depreciation	-	51	-	51
Local government Pension scheme interest	110	372	110	372
Total interest expense on financial liabilities measured at amortised cost	**32,513**	**32,554**	**33,133**	**33,188**
Interest capitalisation rate	3.67%	3.96%	3.67%	3.96%

9. Surplus on ordinary activities before taxation

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
The surplus on ordinary activities before taxation is stated after charging:				
Depreciation	28,813	26,896	28,805	26,888
Amortised government grant	(7,740)	(7,907)	(7,740)	(7,906)
Fees for the audit of the financial statements – current year	208	156	162	112
Operating lease payments	6,344	15,602	6,344	15,602

10. Tax on surplus on ordinary activities

(a) Analysis of charge in year	Group		Association	
UK corporation tax on profit for the year	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current tax on profit for the year	118	-	-	-
Deferred tax				
Origination and reversal of timing difference	(48)	(7)	-	-
Adjustment in respect of previous period	-	-	-	-
Effect of changes in tax rates	-	38	-	-
	(48)	**31**	**-**	**-**
Total Tax per income statement	**70**	**31**	**-**	**-**

The Association is exempt from tax on its charitable activities under tax law.
The tax assessed for the year is the same as the standard rate of corporation tax in the UK (19%) (2020: 19%).

(b) Factors affecting tax charge for the year	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current tax reconciliation				
Surplus on ordinary activities before taxation	41,813	21,153	40,986	22,793
Current tax at 19% (2020: 19%)	7,944	4,019	7,787	4,331
Effects of:				
Non-taxable charitable activities	(7,731)	(3,450)	(7,787)	(4,331)
Expenses not deductible	51	-	-	-
Qualifying charitable donation made	-	(576)	-	-
Deferred tax movement	(74)	-	-	-
Tax rate changes	-	38	-	-
Group relief	-	-	-	-
Tax losses utilised	(120)	-	-	-
Total tax charge	**70**	**31**	**-**	**-**

11. Housing properties

Group	Under Development		Completed (available for letting)		
	General rented £'000	Shared ownership £'000	General rented £'000	Shared ownership £'000	Total £'000
Cost					
At 1 April 2020	225,067	58,426	1,668,409	185,287	2,137,189
Additions	80,887	66,179	14,950	290	162,306
Transfer to/from stock	-	(29,102)	-	1,832	(27,270)
Transfer to investment property	(164)	-	-	-	(164)
Transfer on completion	(115,303)	(50,430)	115,303	50,430	-
Disposals	-	-	(1,066)	(6,616)	(7,682)
Components replaced	-	-	(906)	(66)	(972)
Impairment	-	-	-	-	-
Reclassification	-	-	-	-	-
At 31 March 2021	**190,487**	**45,073**	**1,796,690**	**231,157**	**2,263,407**
Accumulated depreciation					
At 1 April 2020	-	-	159,888	13,163	173,051
Charge for the year	-	-	21,200	3,403	24,603
Depreciation accrual for components	-	-	260	-	260
Disposals	-	-	(49)	(265)	(314)
Components replaced	-	-	(410)	(69)	(479)
Impairment	-	-	-	-	-
At 31 March 2021	**-**	**-**	**180,889**	**16,232**	**197,121**
Impairment					
At 1 April 2020	-	-	2,784	-	2,784
Released in the year	-	-	-	-	-
At 31 March 2021	**-**	**-**	**2,784**	**-**	**2,784**
Net book value					
At 31 March 2021	**190,487**	**45,073**	**1,613,017**	**214,925**	**2,063,502**
At 31 March 2020	**225,067**	**58,426**	**1,505,737**	**172,124**	**1,961,354**

Total expenditure on existing properties in the year was £39,853k (2020: £37,479k). This comprises £14,950k (2020: £16,335k) which was capitalised and £24,903k (2020: £21,144k) which was treated as revenue expenditure and charged to the Statement of Comprehensive Income.

Additions to housing properties during the year included capitalised interest of £9,419k (2020: £9,439k). The capitalisation rate used was 3.67% (2020: 3.96%). At 31 March 2021 the EUV-SH for the units charged was £864,297k (2020: £1,286,677k) and the number of units charged was 12,721 (2020: 12,371).

11. Housing properties – continued

Association	Under Development		Completed (available for letting)		
	General rented £'000	Shared ownership £'000	General rented £'000	Shared ownership £'000	Total £'000
Cost					
At 1 April 2020	222,332	58,426	1,678,049	185,287	2,144,094
Additions	80,887	66,179	14,950	290	162,306
Transfer to/from stock	-	(29,102)	-	1,832	(27,270)
Transfer to investment property	(164)	-	-	-	(164)
Transfer on completion	(115,303)	(50,430)	115,303	50,430	-
Disposals	-	-	(1,066)	(6,616)	(7,682)
Component replacement	-	-	(905)	(66)	(971)
Impairment	-	-	-	-	-
At 31 March 2021	**187,752**	**45,073**	**1,806,331**	**231,157**	**2,270,313**
Accumulated depreciation					
At 1 April 2020	-	-	157,866	12,976	170,842
Charge for the year	-	-	21,200	3,403	24,603
Depreciation accrual for components	-	-	260	-	260
Disposals	-	-	(49)	(265)	(314)
Transfer from Other Fixed Asset	-	-	-	-	-
Component replacement	-	-	(410)	(69)	(479)
Impairment	-	-	-	-	-
At 31 March 2021	**-**	**-**	**178,867**	**16,045**	**194,912**
Impairment					
At 1 April 2020	-	-	2,784	-	2,784
Released in the year	-	-	-	-	-
At 31 March 2021	**-**	**-**	**2,784**	**-**	**2,784**
Net book value					
At 31 March 2021	**187,752**	**45,073**	**1,624,680**	**215,112**	**2,072,617**
At 31 March 2020	**222,332**	**58,426**	**1,517,399**	**172,311**	**1,970,468**

Total expenditure on existing properties in the year was £38,933k (2020: £36,352k). This comprised £14,950k (2020: £16,335k) which was capitalised and £23,983k (2020: £20,017k) which was treated as revenue expenditure and charged to the Statement of Comprehensive Income.

Additions to housing properties during the year included capitalised interest of £9,419k (2020: £9,608k). The capitalisation rate used was 3.67% (2020: 3.96%). At 31 March 2021 the EUV-SH for the units charged was £864,297k (2020: £1,286,677k) and the number of units charged was 12,721 (2020: 12,371).

Notes to the Financial Statements
for the year ended 31 March 2021

12. Intangible assets and other fixed assets

Group and Association	Computer hardware £'000	Freehold and leasehold office property £'000	Office fixtures and fittings £'000	Total tangible asset £'000	Computer software £'000	Total £'000
Cost						
At 1 April 2020	725	16,094	3,268	20,087	19,134	39,221
Additions	-	113	-	113	4,319	4,432
Transfer to Investment Property	-	(10,241)	-	(10,241)	-	(10,241)
Reclassifications	-	-	-	-	-	-
Write offs	-	-	(146)	(146)	-	(146)
At 31 March 2021	**725**	**5,966**	**3,122**	**9,813**	**23,453**	**33,266**
Accumulated depreciation and amortisation						
At 1 April 2020	689	953	2,508	4,150	4,354	8,504
Amortisation for the year	-	-	-	-	2,737	2,737
Depreciation charge for the year	19	566	76	661	-	661
Transfer to Investment Property	-	(917)	-	(917)	-	(917)
Write offs	-	-	(60)	(60)	-	(60)
At 31 March 2021	**708**	**627**	**2,499**	**3,834**	**7,091**	**10,925**
At 31 March 2021	**17**	**5,389**	**573**	**5,979**	**16,362**	**22,341**
At 31 March 2020	**36**	**15,141**	**760**	**15,937**	**14,780**	**30,717**

13. Investment properties

	Group £'000	Association £'000
At 1 April 2020	**29,899**	**25,654**
Transfer on completion	138	138
Transfer from Other fixed assets	9,324	9,324
Additions	42	42
Revaluation surplus	2,135	2,265
Transfer from other Group member	-	485
At 31 March 2020	**41,538**	**37,908**

Completed investment properties

The valuation report dated 31 March 2021 was prepared by Lamberts Chartered Surveyors Limited in accordance with the RICS Valuation Professional Standards incorporating the International Valuation Standards (January 2014 edition). This appraisal assumes the properties within the portfolio have not undergone material change since the formal and full revaluation of the portfolio in March 2019. Where the property is let or there is a lack of comparable transactional sales evidence, the traditional investment method of valuation, capitalising the actual and estimated rental values using suitable yields has been used. Due to a lack of recent market evidence to analyse, the estimates of value have been undertaken on an investment approach and are subject to an element of uncertainty. Capitalisation rates which range between 4.5% and 9.5% depending on the nature of the individual asset have been used. The adopted capitalisation rates assume a continuation of recent inflation levels as measured by the RPI index (in the order of 1.5%). The value of each property has been assessed on an existing use basis.

Notes to the Financial Statements
for the year ended 31 March 2021

Prior to the Coronavirus Pandemic, there was generally a steady although increasingly cautious demand for similar investment properties. However, it has been noted that some market commentators and valuers were suggesting the investment market had reached a peak and that if any significant negative influences are applied to the UK economy there could be a downward correction in pricing.

Investment properties under construction

Investment properties under construction are valued at cost at stage of completion. These costs are included in the values in the above summary. As 31 March 2021, costs in relation to investment properties under construction were £0 (2020: £0).

14. Investments (financial)

	Group and Association £'000
At 1 April 2020	6,333
Additions	5,200
Disposal	(6,333)
Amortisation of cost	-
Interest	8
As at 31 March 2021	**5,208**

The investment of £6,333k in gilts was sold in the year. The addition of £5,200k relates to a deposit with Santander and the investment is restricted and not available for general use.

Notes to the Financial Statements
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15. Investment in Shares
Investment in Group entities

The Association has interests in the following Group entities:

Name of entity	Notes	Country of incorporation	Nature of business	Interest
Network Living Limited	1	UK	Dormant	100% ordinary shares (1 share)
Network New Build Limited	1	UK	Build and design	100% ordinary shares (1 share)
Network Homes Investments Limited	1	UK	Property Development	100% ordinary shares (65,000,001 shares)
Network Homes Investments (Stockwell) Limited	1	UK	Property Development	100% ordinary shares (1 share)
Network Treasury Services Limited	1	UK	Treasury vehicle	100% ordinary shares (1 share)
Pimlico Village Developments Limited	1	UK	Property management	100% ordinary shares (2 shares)
Network Affordable Developments Limited	1	UK	Property Development	100% ordinary shares (25,000,001 shares)
SW9 Community Housing				
	1 and 2	UK	Management of properties in Lambeth	Interest in property management
Venice House Management Company Ltd	1	UK	Dormant	N / A (Private company limited by guarantee without share capital)
Aylesbury House Management Company Ltd	1	UK	Dormant	N/A (Private company limited by guarantee without share capital)
Marsworth House Management Company Ltd	1	UK	Dormant	N/A (Private company limited by guarantee without share capital)
Cosgrove House Management Company Ltd	1	UK	Dormant	N/A (Private company limited by guarantee without share capital)
Unconsolidated entities: these entities are associates with immaterial balances				
Churchill Gardens Amenity Limited	1	UK	Property Management	Interest in property management
Tay Road Amenity Limited	1	UK	Property Management	Interest in property management

Notes

1. Companies incorporated under the Companies Act 2006.
2. Bodies incorporated under the Co-operative and Community Benefit Societies Act 2014.

Investment in MORhomes PLC

At 31 March 2021, the Group held an investment of 40,000 ordinary shares of 10p each, a share of 0.8% in the company. This represents a passive investment as Network Homes does not have significant control. The value of this investment is £22k as per the financial statements at 31 March 2020. The historic cost of this investment is £30k.

Notes to the Financial Statements
for the year ended 31 March 2021

16. Shared equity loans

	Group and Association	
	2021 £'000	2020 £'000
At 1 April	4,229	4,911
Loans issued during the year	-	-
Redeemed during the year	(619)	(682)
At 31 March	**3,610**	**4,229**

Shared equity loans meet the criteria for concessionary loans and are therefore measured in accordance with FRS 102 PBE34.90 to PBE34.92. The loans are initially measured at amount received. In subsequent periods the carrying amounts of the loans are adjusted to reflect any repayment.

17. Debtors: amounts falling due after more than one year

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Owed from Group Undertakings	-	-	-	-
Loan finance charges	-	57	-	52
	-	**57**	**-**	**52**

18. Stock

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Completed schemes:				
Shared ownership properties	18,183	7,071	18,183	7,071
Open market sales	1,008	212	-	-
	19,191	**7,283**	**18,183**	**7,071**
Under construction:				
Shared ownership first tranche	54,910	64,346	54,910	64,346
Open market sales	40,741	57,305	-	-
Total	**114,842**	**128,934**	**73,093**	**71,417**

There was no impairment on stock recognised during the year (2020: £nil).
None of the stock is pledged as collateral against borrowing by the Group (2020: £nil).

19. Debtors: amounts falling due within one year

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Rent and service charges	14,349	14,622	13,522	15,468
Less: provision for bad and doubtful debts	(7,202)	(7,133)	(7,159)	(7,042)
	7,147	**7,489**	**6,363**	**8,426**
Other debtors	6,724	6,389	6,440	5,905
Less: provision for bad and doubtful debts	-	-	-	-
Trade debtors	2,742	2,584	1,805	2,419
Amount owed from Group undertakings	-	-	15,739	18,622
Stock transfer	863	2,075	863	2,075
Prepayments and accrued income	4,866	279	4,866	938
	22,342	**18,816**	**36,076**	**38,385**

20. Cash and cash equivalents

		Group		Association	
	Note	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Cash at bank and in hand		59,858	62,220	53,915	56,340
Cash held for client accounts	21	6,006	4,831	6,006	4,803
		65,864	**67,051**	**59,921**	**61,143**

All the cash other than cash held for client accounts is available for general use. Cash held in client accounts is restricted as this is tenants' money.

21. Creditors: amounts falling due within one year

		Group		Association	
	Note	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Client accounts					
Service charge and client funds		6,047	5,092	6,047	5,064
Client bank accounts		(41)	(261)	(41)	(261)
Total client account creditors		**6,006**	**4,831**	**6,006**	**4,803**
Other creditors					
Housing loans	24	17,694	74,747	17,694	74,747
Trade creditors		5,492	3,110	4,521	2,249
Rent and service charges received in advance		7,652	7,641	6,639	7,641
Owed to Group undertakings		-	-	67,636	34,573
Other creditors		5,044	2,491	4,164	2,313
Accruals		48,381	53,680	22,807	22,966
		90,269	**146,500**	**129,467**	**149,292**

Notes to the Financial Statements
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22. Creditors: amounts falling due after more than one year

		Group		Association	
	Note	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Housing loans*	24	1,091,967	974,096	1,091,967	974,096
Social housing grant received in advance		573	573	573	573
Social housing grant repayable		-	-	-	-
Recycled capital grant fund	25	13,310	12,525	13,310	12,525
Disposal proceeds fund	26	902	902	902	902
Social housing grant	27	575,281	580,496	575,281	580,496
Other capital grants	28	43,426	45,653	43,426	45,653
Shared equity grants	29	2,178	2,277	2,178	2,277
		1,727,637	**1,616,522**	**1,727,637**	**1,616,522**

* Housing loans are carried at amortised cost using the effective interest method when they are classified as basic loans. The nominal carrying values of housing loans are £1,095,161k (2020: £1,034,907k), as per note 24. They also include restructured loan of £13,158k (2020: £13,255k) and the THFC financing surplus of £4,791k (2020: £4,299k).
The housing loans in the Association include a loan of £427,975k (2020: £493,350k) from Network Treasury Services Limited.

23. Provisions for liabilities and charges

Group	Lease termination repairs £'000	Stock transfer £'000	Building safety £'000	Deferred tax £'000	LGPS £'000	SHPS liability £'000	Total £'000
At 1 April 2020	3,243	2,074	6,336	357	-	6,512	18,522
Additions in the year	568	-	4,320	26	1,000	8,130	14,044
Released in the year	(779)	(1,211)	(6,336)	(74)	-	(2,019)	(10,419)
At 31 March 2021	**3,032**	**863**	**4,320**	**309**	**1,000**	**12,623**	**22,147**

	2021 £'000	2020 £'000
Amount payable within one year	7,726	10,867
Amount payable after one year	14,421	7,655
	22,147	**18,522**

Association	Lease termination repairs £'000	Stock transfer £'000	Building safety £'000	LGPS £'000	SHPS liability £'000	Total £'000
At 1 April 2020	3,243	2,074	6,336	-	6,512	18,165
Additions in the year	-	-	4,320	1,000	8,130	13,450
Released in the year	(779)	(1,211)	(6,336)	-	(2,019)	(10,345)
At 31 March 2021	**2,464**	**863**	**4,320**	**1,000**	**12,623**	**21,270**

	2021 £'000	2020 £'000
Amount payable within one year	7,159	10,867
Amount payable after one year	14,111	7,298
	21,270	**18,165**

Notes to the Financial Statements
for the year ended 31 March 2021

Lease termination repairs
The provisions for termination repairs relate to future costs that will be incurred to return social housing properties to a suitable condition. These costs are payable at the end of each lease, with the last lease ending in 2037. The principal uncertainty is the level of dilapidation work required to be performed.

Stock transfer
The provision relates to the cost of a works programme to be undertaken by Network Homes Limited on the Stockwell Park and Robsart estates in the London Borough of Lambeth. The amount stated represents the Association's obligation to London Borough of Lambeth to undertake works under the refurbishment contract as confirmed by Lambeth itself.

Deferred tax
The provision held is in relation to tax on unrealised gains on revaluation of investment property in the Group as at 31 March 2021.

Building safety
Cladding replacement work at one of our tall buildings in the Stockwell area has been completed. A provision has been made for remediation works to be carried out by Network Homes Limited.

SHPS defined benefit
The provision relates to the pension past service deficit. The amount of £1,988k was paid to The Pension Trust in this financial year. Provision payable within the next 12 months is £1,874k.

24. Housing loans
Financial liabilities measured at amortised cost – GROUP

				Group 2021 £'000
Fixed rate loans at 1 April 2020				797,148
Fixed Rate Debt Instruments	**Rate**	**Maturity**	**Repayment**	
Bilateral bank loan	5.5%	Instalment	Jun-20	(12,145)
Bilateral bank loan	4.7%	Instalment	Dec-37	(6,250)
Bilateral bank loan	4.8%	Instalment	Nov-35	(1,945)
Private Placement	2.3%	On Maturity	Jul-70	70,000
Private Placement	3.0%	On Maturity	Jul-50	13,000
Private Placement	2.6%	On Maturity	Jul-35	33,500
Private Placement	2.9%	On Maturity	Jul-40	33,500
Bilateral bank loan	10.6%	Instalment	Sep-25	(370)
Bilateral bank loan	9.9%	Instalment	Sep-23	(42)
Deep Discounted Loan Note	5.0%	On Maturity	Sep-27	492
				129,740
Fixed rate loans at 31 March 2021				**926,888**

24. Housing loans – continued

				£'000
Variable rate loans at 1 April 2020				242,058
Variable Rate Debt Instruments	**Rate**	**Maturity**	**Repayment**	
Bilateral bank loan	1.1%	On Maturity	Aug-24	18,000
Bilateral bank loan	0.3%	Instalment	May-38	(1,260)
Bilateral bank loan	1.2%	On Maturity	May-24	(10,000)
Bilateral bank loan	0.9%	On Maturity	Dec-20	(50,000)
Bilateral bank loan	0.4%	Instalment	Nov-35	(1,774)
Bilateral bank loan	1.3%	On Maturity	Feb-22	(15,000)
Bilateral bank loan	1.0%	On Maturity	May-24	(8,000)
Bilateral bank loan	1.0%	Instalment	Mar-36	(960)
				(68,994)
Variable rate loans at 31 March 2021				**173,064**
Financial liabilities				**1,099,952**
Unamortised loan issue costs				(3,449)
Restructured loan				13,158
Total financial liabilities measured at amortised cost (notes 21 & 22)				**1,109,661**
Less: THFC financing surplus				(4,791)
Less: Restructured loan				(13,158)
Total loan repayable (as per repayment profile below)				**1,091,712**

At 31 March 2021 the EUV-SH for the units charged was £864,297k (2020: £1,286,677k) and the number of units charged was 12,721 (2020: 12,371).

Unencumbered asset value
The value of all Unencumbered Assets for the Association at year-end is £410,541k (2020: £509,043k).

24. Housing loans – continued

Repayment profile of financial instruments	Group		
	Payable by instalment £'000	Payable on maturity £'000	2021 Total £'000
Less than one year	12,713	4,981	17,694
Between one and five years	58,136	129,038	187,174
In more than five years	281,531	608,762	890,293
Total	**352,380**	**742,781**	**1,095,161**
Less: Amortised cost			**(3,449)**
Total (at amortised cost)			**1,091,712**

	Payable by instalment £'000	Payable on maturity £'000	2020 Total £'000
Less than one year	24,747	50,000	74,747
Between one and five years	56,047	127,500	183,547
In more than five years	296,814	479,799	776,613
Total	**377,608**	**657,299**	**1,034,907**
Less: Amortised cost			**(3,618)**
Total (at amortised cost)			**1,031,289**

Repayment profile of financial instruments	Association		
	Payable by instalment £'000	Payable on maturity £'000	2021 Total £'000
Less than one year	1,483	4,981	6,464
Between one and five years	11,641	106,038	117,679
In more than five years	79,280	463,762	543,042
Total	**92,404**	**574,781**	**667,185**
Less: Amortised cost			**(511)**
Total (at amortised cost)			**666,674**

	Payable by instalment £'000	Payable on maturity £'000	2020 Total £'000
Less than one year	1,372	-	1,372
Between one and five years	9,972	112,500	122,472
In more than five years	82,914	334,799	417,713
Total	**94,258**	**447,299**	**541,557**
Less: Amortised cost			**(1,410)**
Total (at amortised cost)			**540,147**

The loans taken by the Association above exclude internal loans from NTSL.

Unencumbered asset value

The value of all unencumbered assets at year-end is £410,541k (2020: £509,043K).

Notes to the Financial Statements
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25. Recycled capital grant fund

The movement on the recycled capital grant fund is shown below:

Group and Association Funds pertaining to activities within areas covered by:		HCA £'000	GLA £'000	Other £'000	Total £'000
As at 1 April 2020		861	9,949	1,715	12,525
Inputs to RCGF (source of funds):	Funds recycled	117	1,695	29	1,841
	Interest accrued	-	2	-	2
Use/allocation of funds:	New build	-	(1,058)	-	(1,058)
At 31 March 2021		**978**	**10,588**	**1,744**	**13,310**
Amounts 3 years or older where repayment may be required		**-**	**-**	**-**	**-**

26. Disposal Proceeds Fund

The movement on the disposal proceeds fund is shown below:

Group and Association Funds pertaining to activities within areas covered by:		GLA £'000
At 1 April 2020		902
Inputs to DPF (source of funds):	Funds recycled	-
As at 31 March 2021		**902**
Amounts 3 years or older where repayment may be required		**-**

There is no need to repay any part of the DPF, as confirmed by the provider.

27. Social housing grant

Group and Association	Under development		Completed (available for letting)		
	General rented £'000	Shared ownership £'000	General rented £'000	Shared ownership £'000	Total £'000
At 1 April 2020	59,636	28,171	461,561	31,128	580,496
Received	1,821	164	-	-	1,985
Amortisation for year	-	-	(5,117)	(425)	(5,542)
Disposal	-	-	(232)	(1,480)	(1,712)
Transfer	-	(1,001)	-	-	(1,001)
Transfer on completion	(22,019)	(5,440)	22,019	5,440	-
Transfer from RCGF	1,058	-	-	-	1,058
As at 31 March 2021	**40,496**	**21,894**	**478,231**	**34,663**	**575,284**

28. Other capital grants

Group and Association	Under development		Completed (available for letting)		
	General rented £'000	Shared ownership £'000	General rented £'000	Shared ownership £'000	Total £'000
At 1 April 2020	541	-	43,188	1,924	45,653
Received	-	-	-	-	-
Amortisation for year	-	-	(1,424)	(774)	(2,198)
Disposal	-	-	(15)	(14)	(29)
Transfer on completion	-	-	-	-	-
As at 31 March 2021	**541**	**-**	**41,749**	**1,136**	**43,426**

Other grants are grants from local authorities.

29. Shared equity grants

Group and Association	2021 £'000	2020 £'000
At 1 April	2,277	2,535
Grants received during the year	-	-
Recycled during the year	(99)	(258)
At 31 March	**2,178**	**2,277**

Shared equity grants are received to partially fund the shared equity loan scheme. The grants are not amortised and are recyclable or become payable when the shared equity loans they funded are redeemed.

30. Non-equity share capital

Association	2021 £	2020 £
Ordinary shares of £1 each, issued and fully paid:		
At 1 April	11	10
Issued during the year	-	1
Surrendered during the year	-	-
At 31 March	**11**	**11**

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends, redemptions of capital or distributions on a winding up. Shares in issue are not capable of being repaid or transferred. Where a shareholder ceases to be a member, that person's share is cancelled and the amount paid up thereon becomes the property of the Association. Therefore all shareholdings relate to non-equity interests.

31. Legislative provisions

The Group and Association are registered under the Co-operative and Community Benefit Societies Act 2014, and are required by statute to prepare consolidated financial statements as the Association is the ultimate parent entity in the Group. The Association is registered with Homes England as a social provider.

Notes to the Financial Statements
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32. Capital commitments

Group	2021 £'000	2020 £'000
Expenditure contracted for but not provided for in the financial statements	242,620	196,680
Capital Expenditure authorised by Board but not yet contracted for	184,985	251,740
	427,605	**448,420**

Capital commitments are in relation to the development programme that Board has approved. Capital commitments will be financed through a combination of retained reserves, long-term committed loan facilities from banks and other lending institutions, social housing grant awarded by Homes England and proceeds from the sale of outright sale or non-core properties. Borrowings mentioned below relate to existing and new loans which will be taken when required.

The summary below shows how the Group expects to finance capital commitments through:

Group	2021 £'000	2020 £'000
Social Housing Grants	57,392	57,138
Surpluses and borrowings	370,213	391,282
Total	**427,605**	**448,420**

33. Leases

The total of future minimum lease payments under non-cancellable leases for each of the following periods is:

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Amount payable in:				
Not later than one year	2,836	14,802	2,875	14,764
Later than one year and not later than five years; and	9,194	9,921	9,194	9,921
Later than five years	22,913	25,908	22,913	25,908
Total	**34,943**	**50,631**	**34,982**	**50,593**

The amount of lease payments recognised as an expense in the year was £6,344k (2020: £15,602k).

34. Notes to the cash flow statement

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Surplus for the financial year	41,743	21,122	40,986	22,793
Profit on sale of fixed assets	(24,948)	(13,003)	(11,725)	(12,054)
Revenue grant income	-	-	-	-
Revaluation (surplus)/loss on investment properties	(2,135)	568	(2,265)	528
Interest receivable and other income	(407)	(511)	(520)	(783)
Interest payable and similar charges	32,513	32,554	33,133	33,188
Restructuring of financial instruments	(97)	(94)	(97)	(94)
Taxation	70	31	-	-
Gift aid receivable	-	-	(12,988)	(3,264)
Operating surplus	**46,739**	**40,667**	**46,524**	**40,314**
Depreciation charges	28,813	26,904	28,805	26,896
Amortised government grants	(7,740)	(7,907)	(7,740)	(7,907)
Impairment of assets	-	-	-	-
Working capital movements				
(Increase)/Decrease in debtors	(3,470)	8,696	13,855	(2,533)
(Decrease)/Increase in creditors	(6,213)	(28,609)	28,983	(41,352)
Net cash inflow from operating activities	**58,129**	**39,751**	**110,427**	**15,418**

Group	1 April 2020 £'000	Cash flow £'000	Non-cash £'000	31 March 2021 £'000
Analysis of changes in net debt				
Cash and cash equivalents	65,339	(1,194)	-	64,145
Sinking fund	1,712	7	-	1,719
Bank overdraft	-	-	-	-
	67,051	**(1,187)**	**-**	**65,864**
Debt due within one year	(74,747)	74,747	(17,694)	(17,694)
Debt due after more than one year	(969,797)	(135,687)	18,308	(1,087,176)
THFC debt	(4,299)	(492)	-	(4,791)
	(981,792)	**(62,619)**	**614**	**(1,043,797)**

Association	1 April 2020 £'000	Cash flow £'000	Non-cash £'000	31 March 2021 £'000
Analysis of changes in net debt				
Cash and cash equivalents	59,431	(1,229)	-	58,202
Sinking fund	1,712	7	-	1,719
Bank overdraft	-	-	-	-
	61,143	**(1,222)**	**-**	**59,921**
Debt due within one year	(74,747)	74,747	(17,694)	(17,694)
Debt due after more than one year	(969,797)	(135,687)	18,308	(1,087,176)
THFC debt	(4,299)	(492)	-	(4,791)
	(987,700)	**(62,654)**	**614**	**(1,049,740)**

Reconciliation of decrease in cash and cash equivalents to movement in net debt	Group 2021 £'000	Association 2021 £'000
(Decrease) in cash in the year	(1,187)	(1,222)
Cash (inflow) from increase in debt	(61,432)	(61,432)
Other non-cash movements	614	614
Change in net debt	(62,005)	(62,040)
Net debt at beginning of period	(981,792)	(987,700)
Net debt at end of year	**(1,043,797)**	**(1,049,740)**

35. Pension schemes

During the year, the Group members participated in three pension schemes: two defined benefit schemes providing benefits based on final pensionable pay (one local government pension scheme and the multi-employer Social Housing Pension Scheme SHPS) and the third scheme which provides benefits based on contributions made (a defined contribution scheme).

The amount recognised in the Statement of Comprehensive Income is as follows:

Charged in operating profit		2021 £'000	2020 £'000
Defined benefit schemes: service costs - LGPF	note 35a	-	-
Defined benefit scheme - SHPS	note 35b	1,988	1,759
Defined contribution scheme: contributions paid	note 35c	1,686	1,070
		3,674	**2,829**
Interest and finance costs			
Defined benefit schemes - LGPF	note 35a	(21)	(5)
Defined benefit scheme - SHPS	note 35b	131	377
		110	**372**

The amount recognised in the Other Comprehensive Income is as follows:

	2021 £'000	2020 £'000
SHPS - OCI items from current year	(7,760)	9,454
SHPS - OCI adjustment to recognise full DB liability	-	-
LGPF - OCI items from current year	(509)	718
	(8,269)	**10,172**

(a) Defined benefit schemes

Network Homes Limited participates in the Hertfordshire Local Government Pension Scheme (the Hertfordshire Scheme) administered by Hertfordshire County Council. There are no active members in the scheme. During the year, Network Homes did not make any contributions towards past service deficit. The Scheme is contracted out of the Second State Pension.

	2021	2020
Members of the Schemes employed by the Group	-	-
Deferred pensioners	41	41
Pensioners	48	48

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5%.

35. Pension schemes – continued

Based on the assumptions, the average future life expectancies are summarised below:

	2021	2020
Future pensioners *		
Males	23.2 years	22.8 years
Females	26.2 years	25.5 years
Current pensioners		
Males	22.1 years	21.9 years
Females	24.5 years	24.1 years

*Figures assume members aged 45 as at the last formal valuation date.

A full actuarial valuation of the scheme was performed at 31 March 2021 by a qualified independent actuary, Hymans Robertson, using the projected unit credit method. The principal financial assumptions used by the actuary were:

	2021 %	2020 %
Expected rate of salary increase	3.25	2.30
Expected rate of pension increases	2.85	1.90
Discount rate	2.00	2.30

	Assets £'000	Liabilities £'000	Total £'000
At 1 April 2020	12,951	(12,035)	916
Benefits paid	(397)	397	-
Employer contribution	620	-	620
Interest income / (expense)	293	(272)	21
Actuarial gain / (loss)	2,341	(2,850)	(509)
At 31 March 2021	**15,808**	**(14,760)**	**1,048**

The fair value of the plan assets were:	2021 %	2021 £'000	2020 %	2020 £'000
Equity instruments	60%	9,485	48%	6,216
Bonds	26%	4,110	38%	4,921
Property	10%	1,581	10%	1,296
Cash	4%	632	4%	518
	100%	**15,808**	**100%**	**12,951**

The return on the plan assets were:	2021 £'000	2020 £'000
Interest income	293	326
Actual return on plan assets less interest income	2,341	(769)
	2,634	**(443)**

35. Pension schemes – continued

(b) Defined benefit scheme

The Association is a member of a multi-employer Social Housing Pension Scheme (SHPS). The Pension Trust, which administers this scheme, provides benefits to non-associated participating employers. The scheme is classed as a defined benefit scheme in the UK.

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

The net pension liability increased by £6,142k from £6,481k at 31 March 2020 to £12,623k at 31 March 2021. The change was recognised on the statement of financial position through other comprehensive income for any actuarial gains and losses (£7,760k) and through SOCI for interest (£131k) and other pension related costs (£46k). Top-up paid in the year in respect of past service deficit was £1,864k.

	31 March 2021 £'000	31 March 2020 £'000
Fair value of plan assets	59,543	54,190
Present value of defined benefit obligation	(72,166)	(60,671)
Deficit in plan	(12,623)	(6,481)
Unrecognised surplus	-	-
Defined (liability) to be recognised	(12,623)	(6,481)
Deferred tax	-	-
Net defined benefit (liability) to be recognised	(12,623)	(6,481)

Fair value of the plan assets is Network's share of the market value of scheme assets at 31 March 2021. This includes the share of assets in relation to 'orphan' members and split-service members.

Net defined benefit liability is the ultimate liability that Network Homes has recognised in the accounts for 2021.

Reconciliation of opening and closing balances of the fair value of plan assets	2021 £'000	2020 £'000
Fair value of plan assets at start of period	54,190	52,725
Interest income	1,295	1,210
Experience on plan assets (excluding amount included in interest income) - gain	4,020	252
Contribution by the employer	1,988	1,803
Benefits aid and expenses	(1,950)	(1,800)
Fair value of plan assets at end of period	**59,543**	**54,190**

The actual return on the plan assets, including any changes in share of assets, over the period ended 31 March 2021 was £5,315k (2020: £1,465k).

Reconciliation of opening and closing balances of the defined benefit obligation	2021 £'000	2020 £'000
Defined benefit obligation at start of period	**60,671**	**70,031**
Expenses	46	43
Interest expense	1,426	1,587
Actuarial (losses) due to scheme experience	(1,310)	(986)
Actuarial gains / (losses) due to changes in demographic assumptions	269	(618)
Actuarial gains / (losses) due to changes in financial assumptions	13,014	(7,586)
Total defined benefit recognised in SOCI	**13,445**	**(7,560)**
Benefits paid	**(1,950)**	**(1,800)**
Defined benefit obligation at end of period	**72,166**	**60,671**

The pension liability increased by £11,495k (2020: decreased by £9,360k) in the period ended 31 March 2021.

35. Pension schemes – continued

Defined benefit cost recognised in Statement of Comprehensive Income (SOCI)	2021 £'000	2020 £'000
Expenses	46	43
Net interest expense	131	377
Defined benefit costs recognised	**177**	**420**

Analysis of plan assets	2021 %	2021 £'000	2020 %	2020 £'000
Global Equity	16%	9,490	15%	7,926
Absolute Return	6%	3,286	5%	2,826
Distressed Opportunities	3%	1,719	2%	1,044
Credit Relative Value	3%	1,874	3%	1,486
Alternative Risk Premia	4%	2,243	7%	3,789
Fund of Hedge Funds	0%	7	0%	31
Emerging Markets Debt	4%	2,404	3%	1,641
Risk Sharing	4%	2,167	3%	1,830
Insurance-Linked Securities	2%	1,430	3%	1,664
Property	2%	1,237	2%	1,194
Infrastructure	7%	3,970	7%	4,033
Private Debt	2%	1,420	2%	1,092
Opportunistic Illiquid Credit	3%	1,514	2%	1,311
High Yield	3%	1,783	0%	-
Opportunistic Credit	3%	1,632	0%	-
Cash	0%	1	0%	-
Corporate Bond Fund	6%	3,518	6%	3,090
Liquid Credit	1%	711	0%	22
Long Lease Property	2%	1,167	2%	937
Secured Income	4%	2,476	4%	2,056
Over 15 Year Gilts	0%	-	0%	-
Indexed Linked All Stock Gilts	0%	-	0%	-
Liability Driven Investment	25%	15,132	33%	17,986
Net Current Assets	1%	362	0%	232
	100%	**59,543**	**100%**	**54,190**

Network Homes Limited will pay £1,874k (£1,831k plus admin fees £43k) over the next 12 months towards the past service deficit.

At the date of last valuation on 30 September 2018 the estimated debt on withdrawal for Network Homes Limited was £53,542k. This information has been provided by The Pension Trust and confirmed in May 2020.

35. Pension schemes – continued

Assumptions	2021	2020
Discount rate assumptions	2.15%	2.39%
Inflation (RPI) assumptions	3.29%	2.65%
Inflation (CPI) assumptions	2.86%	1.65%
Pensionable earning increases assumptions	3.86%	2.65%
Mortality before retirement	No allowance	No allowance
Life expectancy for a male currently age 65	21.6 years	21.5 years
Proportion married at retirement	75% for males and 75% for females	75% for males and 75% for females
Allowance for cash commutation	75% of maximum allowance	75% of maximum allowance
Discretionary increases	No allowance	No allowance

As at 31 March 2021 details of the scheme were:

Active members	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	10	567	56
Females	21	895	56
Total	**31**	**1,462**	**56**

Deferred members	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	93	382	55
Females	184	568	55
Total	**277**	**950**	**55**

Pensioners	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	63	511	71
Females	156	749	69
Total	**219**	**1,260**	**69**

35. Pension schemes – continued

(c) Defined contribution scheme

The amount recognised as an expense was:	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Contributions	1,764	1,123	1,686	1,070
	1,764	**1,123**	**1,686**	**1,070**

Members' contributions are based on their pensionable salaries and paid between 4% and 10% by the members. These contributions are matched by the Association and paid to The Pension Trust. Members' contributions in excess of 10% are only matched up to 10%.

36. Contingent liabilities

As at 31 March 2021, the Group had the following contingent liabilities:

i. A number of performance bonds, total amount of £60k. They are repayable by Network Homes Limited if the contracted work described is not completed in accordance with the terms of the respective bond.

ii. Cross collateralisation and cross guarantees are in place for £428m of loans borrowed by Network Treasury Services Limited, the Group's Treasury vehicle, as at 31 March 2021. The loans are secured against property assets held by Group entities and are included within housing loans in note 24.

37. Government assistance

The Group receives financial assistance from government sources such as Homes England and local authorities. These government grants are accounted for as deferred income in the statement of financial position and are amortised annually to the statement of comprehensive income based on the life of the building component, which is 100 years. The amount amortised represents a contingent liability to the entity and will be recognised as a liability when the properties funded by the relevant government grant are disposed of or when the property ceases to be used for social housing purposes.

Below is the analysis of the assistance from government sources in the form of government grants:

	Group and Association	
	2021 £'000	2020 £'000
Government funding received (Notes 27, 28 & 29)	620,888	628,426
Grants amortised to date	**98,394**	**90,654**

38. Related parties

As permitted by FRS 102 Paragraph 33.1A, the Association has not presented details of related party transactions with other companies that are wholly owned within the Group. The rents of the tenant Board members are on normal commercial terms and they are not able to use their position to any advantage.

All gift aid payments from non-regulated entities are receivable by the Association.

Total receipts from non-regulated Group members	Details	2021 £'000	2020 £'000
Network Homes Investments (Stockwell) Limited	Loan Interest	116	293
Network Treasury Services Limited	Loan Interest	-	-
Network Homes Investments Limited	Gift aid	461	2,293
Pimlico Village Developments Limited	Gift aid	16	16
Network New Build Limited	Gift aid	325	506
Network Treasury Services Limited	Gift aid	110	448
Network Homes Investments (Stockwell) Limited	Gift aid	12,075	-
SW9 Community Housing Limited	Management Fees	3,169	2,705
		16,272	**6,261**

Notes to the Financial Statements
for the year ended 31 March 2021

38. Related parties – continued

Total payment to non-regulated Group members	Details	2021 £'000	2020 £'000
Network Homes Investments Limited	Interest paid on loans	244	-
Network Affordable Developments Limited	Interest paid on loans	2	-
Network Homes Investments Limited	Office rent	38	38
Network Homes Investments (Stockwell) Limited	Interest paid on loans	110	261
Network Treasury Services Limited	Interest paid on loans	19,236	21,363
Network New Build Limited	Design & Build	78,227	98,158
Pimlico Village Developments Limited	Electricity & insurance	192	210
		98,049	**120,030**

Gift aid from the subsidiaries is recognised at year-end on a receivable basis and is calculated based on the profit for the year end. Design and build costs incurred by Network New Build Limited including fees that are calculated as a percentage of build cost are recharged to other Group members. Electricity and insurance cost is recharged based on the agreement between Pimlico Village Developments and the Association.

Network Homes Investments Limited received office rent from the Association for Riversmead House in Hertfordshire. Network Treasury Services Limited receives interest on loans to the Association.

Intercompany debtors and creditors

Intercompany current account (£'000):								
Description	NWH	NHISL	NTSL	PVD	NHIL	NNB	NADL	SW9
Network Homes Investments (Stockwell) Limited	12,070	(12,070)	-	-	-	-	-	-
Network Treasury Services Limited (NTSL)	113	-	(113)	-	-	-	-	-
Pimlico Village Developments Limited (PVD)	85	-	-	(85)	-	-	-	-
Network Homes Investments Limited (NHIL)	170	-	-	-	(170)	-	-	-
Network New Build Limited (NNBL)	(14,511)	-	-	-	-	14,511	-	-
SW9 Community Housing (SW9)	901	-	-	-	-	-	-	(901)
Network Affordable Developments Limited (NADL)	(7,600)	-	-	-	-	-	7,600	-
	(8,772)	**(12,070)**	**(113)**	**(85)**	**(170)**	**14,511**	**7,600**	**(901)**

Intercompany loans (£'000):					
Description	NWH	NHISL	NTSL	NHIL	NADL
Network Homes Investments (Stockwell) Limited (NHISL)	(19,000)	19,000	-	-	-
Network Homes Investments Limited (NHIL)	(18,050)	-	-	18,050	-
Network Treasury Services Limited (Loans less than 1 year)	(11,230)	-	11,230	-	-
Network Treasury Services Limited (Loans more than 1 year)	(414,737)	-	414,737	-	-
Network Affordable Developments Limited (NADL)	(6,075)	-	-	-	6,075
	(469,092)	**19,000**	**425,967**	**18,050**	**6,075**

39. Housing stock

The number of units of accommodation in management at the end of the year was as follows:

	2021			2020		
Social housing rental stock	Owned	Managed	Total	Owned	Managed	Total
General needs (exclusive of Short Stay)	8,781	-	8,781	8,638	-	8,638
General needs (Short Stay)	201	8	209	580	333	913
Affordable	2,908	-	2,908	2,689	-	2,689
Total general needs and affordable	**11,890**	**8**	**11,898**	**11,907**	**333**	**12,240**
Sheltered (older persons)	1,418	-	1,418	1,418	-	1,418
Shared ownership	2,163	-	2,163	2,038	-	2,038
Leasehold	2,299	-	2,299	2,163	-	2,163
Supported housing	495	-	495	493	-	493
Intermediate rents	1,842	-	1,842	1,651	-	1,651
Total	**20,107**	**8**	**20,115**	**19,670**	**333**	**20,003**
Non-social housing stock						
Leasehold	517	-	517	592	-	592
Intermediate rents	187	-	187	253	-	253
Market rented	-	-	-	1	-	1
Total	**704**	**-**	**704**	**846**	**-**	**846**
Total	**20,811**	**8**	**20,819**	**20,516**	**333**	**20,849**
Properties owned but managed by others externally						
General needs	218	-	218	220	-	220
Leasehold	16	-	16	16	-	16
Supported housing	387	-	387	383	-	383
Market rented	-	-	-	-	-	-
Sub total	**621**	**-**	**621**	**619**	**-**	**619**

The table above is prepared according to Statistical Data Return (SDR) definitions. For the purposes of this data collection, a provider is the owner of a property when it owns the freehold title or where a lease is granted by the freeholder (the leasehold for that property). The 'owner' is the landlord. The landlord has legal responsibility for the tenancy or issuing a licence and charging of rent or licence fee for occupants of the property. Landlords may (and usually do) directly manage the properties they own, or they may have an agreement for another organisation for the management of lettings and rent collection. The form of any management agreement may vary; however the landlord retains overall control of the property and all occupiers of its properties are tenants of that provider.

The lease can be of any duration, as the length of lease that the landlord holds does not determine whether it is social housing or not. Stock held on shorter leases will have been counted as stock that is managed for others.

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40. Accommodation managed by agents

The Group owns properties managed by other bodies, as follows:

Agent	2021	2020
Alamo Supported Housing	89	89
Apna Supp Housing	4	10
Apna Temporary Housing	6	-
Bahay Kubo Supported Housing	7	11
Bahay Kubo Temp Housing	4	-
Bch Supp Housing	6	6
Brent Mind Supp Housing	29	22
Centrepoint Supp Housing	6	6
Chc Supp Housing	6	6
Echg Supp Housing	13	13
Equality Supp Housing	19	19
Equinox Care	13	13
Harrow Churches Supp Housing	6	6
Harrow Council	7	8
Hestia Supp Housing	46	46
HFT Trust Limited	5	5
Home From Home Temp Housing	4	4
Karin General Needs	6	15
Karin Temp Housing	8	-
London Region Agency Ha Tamil Leasehold	16	-
Look Ahead Housing And Care	17	18
Mace Supp Housing	37	55
Mace Temp Housing	38	-
Refugee Support Supp Housing	12	12
RNID Supp Housing	6	6
Safe Start Supp Housing	24	24
Sfl Supp Housing	28	28
Shp Supp Housing	13	13
Spitalfields Ha Supported Housing	3	3
SSAFA Supp Housing	28	28
St Marks Housing Coop	6	6
St Mungo's Supp Housing	29	45
Tamil Supp Housing	8	36
Tamil Temp Housing	12	-
Unit 11 Supported Housing	13	19
Wandsworth And Westminster Mind	9	9
Westminster Housing Co-Operative	8	8
Westminster Mind	8	22
Westminster Mind Supp Housing	14	-
Westminster Society Supp Housing	8	8
Total units managed by agents	**621**	**619**

41. Financial instruments and financial management

	2021 £'000	2020 £'000
Financial assets measured at amortised cost		
Investment - financial	5,208	6,333
Shared Equity Loans	3,610	4,229
Rents receivables	7,147	7,489
Trade debtors	2,742	2,584
Stock transfer	863	2,075
Other receivables	11,590	6,668
Cash and cash equivalents	65,864	67,051
Total financial assets	**97,024**	**96,429**
Financial liabilities measured at amortised cost		
Housing loans less than one year	17,694	74,747
Housing loans more than one year	1,091,966	974,096
Trade creditors	5,492	3,110
Rent and service charges received in advance	7,652	7,641
Accruals	48,381	53,678
Disposal proceeds fund	902	902
Recycled capital grant fund	13,310	12,525
Other creditors	**5,043**	**2,491**
Total financial liabilities	**1,190,440**	**1,129,190**

Notes to the Financial Statements
for the year ended 31 March 2021

Financial Management

The main risks arising from the Group's financial instruments are as follows:

- liquidity risk;
- interest rate risk;
- counter party risk; and
- customer credit exposure.

Liquidity risk

The purpose of managing liquidity risk is to ensure that the Group meets its financial obligations when they fall due. The Group meets its financial obligations through cash flows from operating activities such as the underlying cash from rental income streams and property sales, grants from government sources and through long term borrowing from lenders.

Each year the Group's Board approves the treasury management strategy and updates the treasury policy for the Group. This policy addresses funding and liquidity risk, covenant compliance and investment policy. In addition, the Group's Board receives reports on treasury activities.

Treasury services are provided to the Group by the Association.

Treasury management activities are monitored by the Finance Committee.

The Group borrows at both fixed and floating interest rates, with the treasury policy requiring a minimum of 50% of drawn debt to be on fixed interest rates or hedged.

The Group's debt is a mixture of fixed and floating rate loans. As at 31 March 2021, 84% (2020: 77%) of the Group's debt was at fixed rates and 16% (2020: 23%) at floating rates.

The Group's treasury team monitors covenant compliance for the Group on a regular basis and is required to report on covenant compliance to the Group's lenders on a quarterly basis. At 31 March 2021 the Group complied with its loan covenants. Business plans demonstrate that it will continue to do so in the future.

Interest rate risk

The Group borrows from lenders using a mixture of short and long-term loans. the tenor of which depends on the 30-year business planning cycle and the Board's assessment of the macro-economic environment; for instance, the Board's view of the future direction of interest rate, assessment of demand and assessment of the political and legal environment. To mitigate interest risk, the Group ensures it has the right balance between fixed and variable loans in its loan portfolio.

Counter party risk

The Group's treasury policy sets minimum credit ratings for counter parties on investments to reduce counter party risk.

The short-term counter party ratings for investments must be at least an A1/P1 or F1. There are limits of £10m for approved investment institutions with the exception of the Group's main clearing bank where the £10m limit can be exceeded for short periods or £20m for AAA rated Money Market Funds (MMFs).

The treasury policy is reviewed annually.

The Group has a procurement policy in place and manages counter party risk by carefully selecting suppliers and development partners. This risk is mitigated by strong on-going relationship with contractors and suppliers.

Customer credit exposure

The Group is exposed to the possibility of tenants not paying their rents. To mitigate this risk, the Group monitors arrears on a weekly basis and engages with tenants. Income management teams follow up any late payments promptly and have strong on-going customer relationships with our tenants.

42. Events after the end of the reporting period

Olympic Office Centre

The Group has agreed to sell Olympic Office Centre, which used to be Network Homes' Head Office. This is likely to be completed in financial year 2021-22.

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