ANNUAL REPORT AND FINANCIAL STATEMENTS

31 MARCH 2020

Stafford & Rural Homes

The Rurals, 1 Parker Court, Staffordshire Technology Park, Beaconside, Stafford, ST18 0WP

Registration No. 7852

A member of The Housing Plus Group

CONTENTS

BOARD MEMBERS, EXECUTIVE OFFICERS, AUDITORS, ADVISORS AND BANKERS

Registered Office	Stafford & Rural Homes, 1 Parker Court, Staffordshire Technology Park, Beaconside, Stafford ST18 0WP
Stafford & Rural Homes	Charitable Community Benefit Society No: 7852 Registered by the Regulator of Social Housing No: L4458
Internal Auditors	**Mazars LLP** (to 31 March 2020) 45 Church Street, Birmingham, B3 2RT
	Beever and Struthers (appointed 1 April 2020) 20 Colmore Circus Queensway, Birmingham, B4 6AT
External Independent Auditors	**BDO LLP,** Chartered Accountants and Statutory Auditors, Two Snowhill, Birmingham B4 6GA
Legal Advisors	**Anthony Collins,** 134 Edmund Street, Birmingham B3 2ES
	Trowers & Hamlins LLP 55 Princess Street Manchester, M2 4EW
	DWF LLP 1 Scott Place, Hardman Street, Manchester, M3 3AA
	Shakespeare Martineau Bridgeway House, Bridgeway, Stratford upon Avon, CV37 6YX
	Knox Ellis Solicitors Old Bank House, 1A Deacon Road, Widnes, Cheshire, WA8 6EA

BOARD MEMBERS, EXECUTIVE OFFICERS, AUDITORS, ADVISORS AND BANKERS (continued)

Funders	**Barclays Bank PLC** 1 Churchill Place, London, E14 5HP
	M&G, Laurence Pountney Hill, London, EC4R 0HH
Bankers	**Barclays Bank PLC** Barclays Bank Social Housing Team, PO Box 3333, 15 Colmore Row, Birmingham, B3 2WN
Board of Management	S Jennings (appointed 1 October 2019) C Dass (appointed 1 October 2019) C Royall J Pert (appointed 25 July 2019) R Barber (appointed 1 November 2019) E Harrison (appointed 1 November 2019) P Ingle (appointed 1 October 2019) P Roberts (appointed 13 July 2020) T Harris (resigned 30 March 2020) A Hadden (resigned 1 October 2019) V Cross (resigned 1 October 2019) P Green (resigned 1 October 2019) G Jones (resigned 18 May 2019) R Lawrence (resigned 1 October 2019) A Loughran (resigned 1 October 2019) G Pardesi (resigned 1 October 2019) T Swani (resigned 1 October 2019) P Wisher (resigned 1 October 2019)
Chief Executive	S Boden (appointed 1 October 2019)
Executive Directors	
Deputy Chief Executive and Finance Director	P Ingle (appointed 1 October 2019)
Property Director	S Collins (appointed 1 October 2019)
Neighbourhoods Director	J Goode (appointed 1 October 2019)
Director of Care and Support	L Clarke (appointed 1 October 2019)
Executive Director of Resources and Company Secretary/Commercial Director	S Duffill (left 14 February 2020)
Chief Executive	K Armitage (left 1 October 2019)
Executive Director of Operations	C Poulton (left 1 October 2019)
Company Secretary	I Molyneux (appointed 1 October 2019)

REPORT OF THE BOARD

The Board presents its financial report and the Stafford and Rural Homes audited Financial Statements for the year ended 31 March 2020.

Nature of business

Stafford & Rural Homes (SARH), previously a Private Company limited by guarantee formed through a transfer of social housing properties from Stafford Borough Council in February 2006, converted into a Charitable Community Benefit Society on the 1 October 2018.

Housing Worx Limited, a wholly owned trading subsidiary of SARH, provides a wide range of home improvement and maintenance services for commercial clients, including SARH, in addition to providing telecare services to other registered providers, Local Authorities and individuals under the You First Telecare brand.

Development Worx Limited, a wholly owned subsidiary of SARH, provides design and build services to SARH.

County Town Homes Limited, a wholly owned subsidiary of SARH, delivers new build developments for outright sale.

SARH joined The Housing Plus Group Limited on 1st October 2019.

Principal activities

SARH principal activities include:

- Providing affordable housing and collection of rent.
- Allocating homes to customers.
- Managing, repairing, maintaining and improving homes so they continue to meet the Decent Homes Standard and meet the changing needs of customers.
- Procuring labour and materials locally as appropriate.
- Providing care and support through Telecare services and supported living care plans.
- Acquiring and developing new properties to meet demand for affordable homes.
- Providing adaptations and suitable care for customers to enable them to live in their own homes.
- Training and empowering customers to have input into decisions on the way that services are delivered.
- Managing income and expenditure to ensure that the Company remains financially viable and has value for money at its core.
- Creating jobs and training opportunities through apprenticeships.
- Building new homes.

Board Members and Executive Officers

Before joining The Housing Plus Group, SARH was governed by a Board comprising of eleven non-executive Directors plus the SARH Chief Executive. Board Directors and the Executive Directors who served during the year are listed on page 4 and 5.

REPORT OF THE BOARD (continued)

From 1st October 2019 SARH is governed by a Board of Management composed of six non-executive members and one executive member. SARH is managed by a senior management team headed by the Chief Executive and supported by the Finance Director/Deputy Chief Executive, Property Director, Neighbourhoods Director and the Care and Support Director. The Executive Management Team attends Board meetings.

Five members of the Board, and not the Executive member, holds one share of £1 in the Association. The Executive Officers of SARH hold no interest in the Association's share capital and, although they do not have legal status of Directors they act as Executive Officers within the authority delegated to them by the Board and are termed Directors. Members of the Board receive remuneration.

The remuneration of the Board, the Chief Executive and the other Executive Officers is determined by the Housing Plus Board. Housing Plus has purchased Directors' and Officers' Liability Insurance for the Board Members, Executive Officers and staff of Housing Plus and SARH. External professional advice is sought as necessary to ensure that regard is taken of remuneration levels in similar companies and the market place.

Going concern

After reviewing SARH's budget for 2020/21 and long term financial plan based on normal business planning and control procedures, the members of the Board have a reasonable expectation that SARH has adequate resources to continue in operational existence for the foreseeable future.
The impact of the Covid 19 outbreak has been considered by the Board of Management, and they have confirmed that the outbreak does not pose a material uncertainty that would cast doubt on the Association's ability to continue as a going concern. The board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis. See Note 2 for further details.

Public benefit entity

SARH is a public benefit entity.

Governance

SARH and its subsidiaries comply with the Regulator of Social Housing's Governance and Financial Viability Standard. In April 2015 Housing Plus adopted the National Housing Federation (NHF) Excellence in Governance as its approved Code of Governance. SARH complies with the Code.

The conversion of SARH from a company registered with the Charity Commission into a Community Benefit Society (CBS), registered with the Financial Conduct Authority (FCA), was completed on 1 October 2018, following approval by the SARH Board and consultation with tenant company members and the wider tenant customer base.

SARH converted into a charitable CBS because it better reflects the work and structure of the organisation.

REPORT OF THE BOARD (continued)

It should be noted that following completion of the merger with Stafford and Rural Homes in October 2019, the Housing Plus Group had cause to self-refer Stafford and Rural Homes (SARH) to the Regulator for Social Housing (RSH) as a result of the discovery of a breach of the Homes Standard in that organisation pre-merger.

Following the self-referral and subsequent communications with the RSH, confirmation was provided that given the timely and expedient action that was being taken to remediate the breach, no action was to be taken by the RSH.

The action plan to address the identified failings was shared with the RSH at the outset and updates on completion of the different elements of the action plan have been provided to the Stafford and Rural Homes Board, the Housing Plus Group Board and to the RSH.

In addition, the Housing Plus Group Board commissioned an independent ‘Root Cause Analysis and Lessons learned Review of SARH Regulatory Compliance’. The report recommendations were accepted in their entirety and the Group Board continues to oversee their implementation with a view to ensuring improvement of internal controls and overall governance arrangements at SARH and across the Group as a whole.

Statement of compliance

The Board confirms that the Housing Plus Group Strategic Report has been prepared in accordance with the principles set out in the Statement of Recommended Practice for registered social housing providers 2018 update.

The Board confirms that The Housing Plus Group has complied with all relevant regulatory and legal requirements. The Board confirms this for The Housing Plus Group and its subsidiaries through appropriate policies and procedures and a strong control framework (described in the Housing Plus Statement of Internal Controls). The Board also reviews the effectiveness of the control framework and the assurance received from it including receiving external reviews from the Internal Auditor.

Statement of the board’s responsibilities

The Board is responsible for preparing the Report of the Board and the financial statements in accordance with applicable law and regulations.
Co-operative and Community Benefit Society law and social housing legislation require the Board to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2018 have been followed, subject to any material departures disclosed and explained in the financial statements; and

REPORT OF THE BOARD (continued)

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Association’s transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018 update.
Financial statements are published on the Association’s website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Association’s website is the responsibility of the Board. The Board’s' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Provision of information to auditors

The Board Members who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which SARH’s auditors are unaware; the Board Members have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that SARH auditors are aware of that information.

Independent auditors

A resolution to appoint External Auditors will be proposed at the next Annual General Meeting.

By Order of the Board
22 July 2020

S Jennings **Chair**	**P Ingle** **Director**	**I Molyneux** **Company Secretary**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STAFFORD & RURAL HOMES

Opinion

We have audited the financial statements of Stafford and Rural Homes ("the Association") for the year ended 31 March 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2020 and of 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 Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The board are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STAFFORD & RURAL HOMES (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information including the Report of the Board 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 Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the board members responsibilities statement set out on page 6 and 7, 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 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 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 STAFFORD & RURAL HOMES (continued)

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

BDO LLP

BDO LLP
Statutory Auditor
Two Snowhill
Birmingham
B4 6GA
Date 9 September 2020

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

STATEMENT OF COMPREHENSIVE INCOME

	Note		Year ended 31 March 2020	Year ended 31 March 2019
			£'000	£'000
Turnover	3		33,617	30,794
Cost of sales	3		(2,221)	(1,066)
Operating costs	3		(21,240)	(20,019)
Surplus on sale of assets	5		2,020	1,205
Operating surplus			**12,176**	**10,914**
Gift aid receipt from Subsidiary	27		1,247	1,131
Interest receivable and other income	6		91	174
Interest payable and similar charges	7		(3,175)	(3,738)
Surplus before taxation			10,339	8,481
Taxation on surplus	9		-	-
Surplus for the financial year			**10,339**	**8,481**
Actuarial gains / (losses) on defined benefit pension scheme	26		5,501	(1,803)
Unrealised (loss)/surplus on revaluation of investment properties	14		(55)	90
Total comprehensive income for the year			**15,785**	**6,768**

The results stated above are derived from continuing activities.

The accompanying notes on pages 13 to 41 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Income and expenditure reserve	Revaluation reserve	Total
	£ '000	£ '000	£ '000
Balance at 1 April 2019	**90,859**	**4,959**	**95,818**
Surplus for the year	**10,339**	**-**	**10,339**
Actuarial gains on defined benefit pension scheme	5,501	-	5,501
Unrealised loss on revaluation of housing properties	-	(55)	(55)
Other comprehensive income/(loss) for the year	**5,501**	**(55)**	**5,446**
Balance at 31 March 2020	**106,699**	**4,904**	**111,603**

For the year ended 31 March 2019

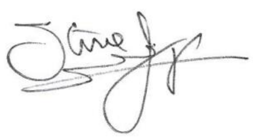
	Income and expenditure reserve	Revaluation reserve	Total
	£ '000	£ '000	£ '000
Balance at 1 April 2018	**84,181**	**4,869**	**89,050**
Surplus for the year	**8,481**	**-**	**8,481**
Actuarial gains on defined benefit pension scheme	(1,803)	-	(1,803)
Unrealised surplus on revaluation of housing properties	-	90	90
Other comprehensive income/(loss) for the year	**(1,803)**	**90**	**(1,713)**
Balance at 31 March 2019	**90,859**	**4,959**	**95,818**

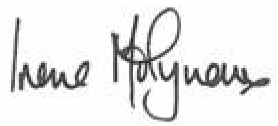
The accompanying notes on pages 13 to 41 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2020	As at 31 March 2019
		£'000	£'000
Tangible fixed assets			
Tangible fixed assets - housing properties	12	197,105	169,463
Tangible fixed assets - other	13	3,782	4,003
Investment properties	14	5,615	5,670
		206,502	179,136
Current assets			
Properties for sale	16	796	1,677
Stock	17	73	72
Debtors - receivable within one year	18	2,078	2,285
Debtors - receivable after one year	18	800	800
Investments		50	50
Cash and cash equivalents		3,275	20,199
		7,072	25,083
Creditors: Amounts falling due within one year	19	(10,742)	(11,997)
Net current (liabilities) / assets		(3,670)	13,086
Total assets less current liabilities		**202,832**	**192,222**
Creditors: Amounts falling due after more than one year	20	(87,163)	(87,618)
Net assets excluding pension liability		115,669	104,604
Pension liability	26	(4,066)	(8,786)
Net assets		**111,603**	**95,818**
Capital and reserves			
Income and expenditure reserve		106,699	90,859
Revaluation reserve		4,904	4,959
Total reserves		**111,603**	**95,818**

The financial statements were approved by the Board and authorised for issue and signed on its behalf on 22 July 2020 by:





S Jennings
Chair

P Ingle
Director

I Molyneux
Company Secretary

The accompanying notes on pages 13 to 41 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Legal status

Stafford & Rural Homes is a Charitable Community Benefit Society (Reg No 7852) that is registered with the Regulator of Social housing as a Registered Provider, as defined by the Housing and Regeneration Act 2008 (registration number L4458). The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report.

2. Accounting policies Accounting policies

A summary of the key accounting policies, which have been applied consistently across all group entities, is set out below.

a. Basis of Accounting

The financial statements have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, UK Generally Accepted Accounting Practice (UK GAAP) including FRS102 (the Financial Reporting Standard applicable in the UK and Republic of Ireland), and the Statement of Recommended Practice for registered social housing providers 2018 update (SORP). The financial statements comply with the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2019.

The accounts have been prepared in accordance with applicable accounting standards under the historical cost accounting rules.

The financial statements are presented in pounds sterling (£).

b. Going Concern

The Directors have reviewed the 30 year business plan for SARH and its subsidiaries as part of their normal annual review and budget approval process across the Housing Plus Group, of which SARH is an integral part.

The financial plans were stress tested against 3 different scenarios including economic, welfare and compliance changes and a ‘perfect storm’ scenario was performed combining all of the other 3 scenarios. Mitigations were only needed in this ‘perfect storm’ scenario. Under this scenario SARH needed mitigations of £2.1m which could be found from the planned annual spend of £2.4m on kitchen and bathroom improvements or from within the £59.8m of uncommitted developments included in the SARH group plan.

The impact of the Covid 19 outbreak has been considered by the Directors. SARH continues to operate effectively with the majority of support staff working from home and other staff abiding by social distancing. Contrary to expectations the landlords have performed well to date. Rental income collection has seen some deterioration in the arrears figure to date with performance at 4.33% which is above the corporate target of 3%, we have assessed the impact and although we have seen a deterioration we do not feel this is significant to the overall performance of the entity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Voids performance suffered during the ‘lockdown’ period, but performance has since improved, and it is anticipated that void loss will be controlled around the budget level. Development work was also suspended during the start of the 2020/21 financial year but has since resumed.

As at 31st March 2020 SARH had £3.3m of cash and a further £15m of available facilities ready to draw down. SARH was also in discussions with Barclays for £45m which would repay the existing £15m RCF and increase SARH’s total facilities by an additional £30m in the summer of 2020.

Given the strength of the balance sheet and availability and liquidity of undrawn loan facilities the Board believe that while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Group’s ability to continue as a going concern for the foreseeable future, which is a period of at least 12 months from signing of the accounts and audit report. The Board therefore consider it appropriate for the accounts to be prepared on a going concern basis.

c. Turnover and income recognition

Turnover represents rental and service charge income receivable net of voids, sales of first tranche shared ownership properties, grant amortisation and care services income for the year. Turnover (representing those items listed above) in the financial statements notes are analysed to identify General Needs, Supported Housing and Shared Ownership properties.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from Low Cost Home Ownership sales is recognised at the point of legal completion of the sale.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Service charges and care services are recognised when the service has been performed and expenditure incurred.

d. Value Added Tax (VAT)

The Association’s main income stream, being rent, is exempt for value added tax (VAT) purposes. The majority of expenditure is subject to VAT, which the Association are unable to reclaim – this expenditure is therefore shown inclusive of VAT.

VAT can be reclaimed under the partial exemption method for certain other activities.

The balance of VAT payable to or recoverable at the year end is included in the financial statements as a current liability or asset.

e. Interest payable and other finance costs

Interest and finance costs represent the cost of financing the purchase of those properties transferred and property acquisitions as well as new development. Loans are secured on the majority of housing properties owned by Stafford and Rural Homes.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Interest and finance costs are charged to the Statement of Comprehensive Income in the year in which they are incurred.

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

i) Interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or

ii) A fair amount of interest on borrowings as a whole, after deduction of SHG received in advance, to the extent that they can be deemed to be financing the development programme

f. Pensions

The Association participates in a defined benefit pension scheme. The assets of these schemes are held separately to those of the Association.

For defined benefit schemes accounted for as defined benefit schemes, the net liability (or asset, to the extent it is recoverable) is calculated by estimating the amount of future benefit that employees have earned to date, discounted to present value, and deducting the fair value of the scheme's assets. Changes in this net defined benefit liability arising from employee service, introductions, benefit changes, curtailments and settlements during the period are recognised in operating costs. The net interest expense (or income) on the net liability (or asset) for the period is recognised as other finance cost (or income). Re-measurement of the net liability (or asset) is recognised as actuarial gains/losses in Other Comprehensive Income.

SARH also participates in the Social Housing (defined contribution) Pension Scheme (SHPS). Contributions to defined contribution pension schemes are charged to the Statement of Comprehensive Income in the year in which they become payable.

g. Holiday pay accrual

A current liability is recognised for any unused holiday pay entitlement which has accrued at the Statement of Financial Position date. This is measured at the undiscounted salary cost of the future holiday entitlement at the Statement of Financial position date.

h. Housing properties

Housing properties are held for the provision of social housing or to otherwise provide social benefit.

Housing properties are principally properties available for rent. Completed housing properties for lettings are stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes costs of acquiring land and buildings, development costs incurred during the development period and other directly attributable costs (including capitalised interest, see (d) above).

NOTES TO THE FINANCIAL STATEMENTS (continued)

Housing properties under construction are stated at cost less accumulated impairment losses.

Completed housing properties are split between their land and other components. Freehold land is not depreciated. Housing properties are depreciated on a straight line basis over the useful economic life of the assets. The depreciable amount is arrived at on the basis of original cost.

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

The Association's housing assets are depreciated as follows:

- Depreciation is charged from the date of acquisition or practical completion of works.
- The estimated useful lives of components and classes of components are kept under review.
- Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter.

○ Structure	75 - 100 years
○ Roof	60 years
○ Kitchens	20 years
○ Bathrooms	30 years
○ Heating System/Boilers	15 years
○ Wiring System	30 years
○ Lifts	30 years
○ UPVC external doors	30 years
○ UPVC windows, fascia's and guttering	30 years
○ Porches	30 years
○ Solar Panels	30 years
○ Housing Act Sewerage Works	25 years

i. Capitalisation

Works to existing properties which replace a component that has been treated separately for depreciation purposes are capitalised as improvements.

Major improvements and renovation of housing properties which extend the life of the asset, increase the rent or considerably reduce future routine maintenance are capitalised and depreciated over the useful economic life of the asset.

Staff and other costs that are directly attributable to bringing housing properties to practical completion are capitalised. Development costs not capitalised are shown as other activities in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Interest costs relating to new development are capitalised. The interest charged reflects the net interest paid over the period of the developments. (See (d) above, interest payable and other finance costs)

j. Accounting for grants

The Association receives Social Housing Grant and grants from Local Authorities. Any grants provided to reduce the capital cost of housing properties held at cost or specific components of housing properties, are recognised by the Association using the accrual model. It means that grants are released to the Statement of Comprehensive Income, on a systematic basis over the expected useful life of the housing property structure or if a Disabled Facilities Grant over the expected useful life of the bathroom.

If an asset (housing property or any of its components) is disposed of, for which grant was received, and there is no obligation to repay the grant, any grant remaining within liabilities on the Statement of Financial Position is released to the Statement of Comprehensive Income. If the grant is available to be recycled it is credited to a Recycled Capital Grant Fund and included as a liability in the Statement of Financial Position.

Any grants received in respect of revenue expenditure are recognised in the Statement of Comprehensive Income as they become receivable.

Donations of land or other tangible assets acquired below market value from a government source are treated as a non-monetary grant. The difference between the fair value of the tangible asset donated or acquired and the consideration paid is recognised as a liability in the Statement of Financial Position. Once the terms of the donation have been met it is released as income to the Statement of Comprehensive Income.

k. Sale of housing property

Under shared ownership arrangements, the Group sells a long term leasehold interest of Shared Ownership housing units to persons who occupy them at a lease premium equal to between 25% and 100% of open Market Value.

The proceeds of first tranches sales are accounted for as turnover in the Statement of Comprehensive Income. The total property cost is apportioned between the shared ownership element and the element remaining in the Group’s ownership based on the percentage sold or estimated to be sold.

Under Right to Buy and Right to Acquire arrangements Stafford and Rural Homes may sell properties to qualifying tenants. Cost is eliminated from the property assets following each sale and charged to the Statement of Comprehensive Income

l. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. The Association’s intangible assets include licences, warranties and software. These are stated at cost less accumulated amortisation and any accumulated impairment losses. The cost includes cost of asset purchase and other directly attributable costs.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Intangible assets are amortised on a straight line basis over the useful economic life of the assets as follows:

Software warranties & licences	4 years

m. Other tangible fixed assets

Other tangible assets are depreciated on a straight-line basis over the useful economic life of the asset as follows:

○ Office structure	60 years
○ Vehicles	4 years
○ IT software	4 years
○ Furniture & equipment	5 years
○ Photocopiers	3 years
○ IT hardware	2 years

For assets categorised as other tangible fixed assets the threshold for capitalisation is £1,000 for a single asset or group of assets.

n. Impairment

The Association carries out an annual impairment review of individual tangible fixed assets and cash generating units. The Association considers cash generating units to be schemes or geographical areas depending on size.

The review takes into account internal and external indicators of impairment; including obsolescence, physical damage, expected cash flows, replacement values, market factors and government policy.

Where an indicator of impairment exists, an impairment assessment is performed. The assessment compares the carrying amount to the recoverable amount. If the carrying amount of an asset or cash generating unit exceeds the recoverable amount then the loss is charged to the Statement of Comprehensive Income as expenditure. If the loss is considered to be material, then it is disclosed as a separate line within operating expenditure.

o. Leased assets and leasing obligations

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

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

p. Stocks and properties held for sale
Stocks and properties held for sale are stated at the lower of cost and net realisable value.

q. Debtors and creditors
Debtors and creditors receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenditure.

r. Financial instruments
A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability of another entity. The Association accounts for its financial instruments using sections 11 ‘Basic Financial Instruments’ and 12 ‘Other Financial Instruments Issues’ of FRS102.

The Association’s financial instruments are all currently classified as basic and include rent receivable, trade creditors, cash and loans.

Basic financial instruments are initially recognised at transaction price and in subsequent years at amortised cost. Financial assets are derecognised when the rights to the cash flows from the asset expire or are settled. Financial liabilities are derecognised when the obligation is discharged, cancelled or expired. Any difference between the consideration paid or received and the amounts derecognised are recorded in the Statement of Comprehensive Income.

s. Cash and cash equivalent
Cash and cash equivalents consists of cash at bank, cash in hand, deposits and short term investments with an original maturity of three months or less.

t. Provisions for liabilities and charges
The Association only makes a provision when:

- there is a present legal or constructive obligation, resulting from a past event, at the Statement of Financial Position date;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The Association sets a provision against rent arrears of current and former tenants based upon historic trends relating to write offs. All other receivables including trade receivables are provided for on a case by case basis.

u. Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Association or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably.

The Association does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent liability exists on grant repayment which is dependent on the disposal of the related property.

v. Reserves

Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds.

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

w. Key estimates and judgements

The preparation of the financial statements requires the use of certain accounting estimates and judgements concerning the future. 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 addressed below:

i) Impairment of assets

The Association assesses whether there is any indicator of impairment. Where an indication of impairment exists then an estimate must be made of the recoverable amount of the cash generating unit (CGU). This can require estimation of future cash flows from the CGU or costs of constructing/replacing the CGU if it is not held solely for its cash flows but for its service potential. Estimations are also made in relation to the selection of appropriate discount rates in order to calculate the net present value of those cash flows or costs.

At the reporting date, the Association holds £5.6m of investment properties valued by Jones Lang LaSalle IP, Inc. (JLL).

ii) Defined benefit pension scheme

The Association has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including: life expectancy, asset valuations and the discount rate on corporate bonds. Management relies on the estimates made by actuaries and the pension fund in these areas.

NOTES TO THE FINANCIAL STATEMENTS (continued)

During the year ended 31 March 2020, the range of assumptions used by the scheme of which the Association is a member is shown in Note 26 of the financial statements.

iii) Classification of Financial Instruments
The Association must make judgements over the classification of Financial Instruments as either basic or other. The implication of this is that if treated as ‘other’, the loan would have to be shown at fair value with any movements in fair value reflected in the Statement of Comprehensive Income. All of these adjustments are non-cash and would have no impact on the Association’s loan covenants.

The Association’s financial instruments are all currently classified as basic and measured at amortised cost.

iv) Leases
Whether leases entered into by the Association either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

v) Development expenditure
The anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale. This judgement is also based on the best estimate of sales value based on economic conditions within the area of development.

vi) Assets
The appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets. The categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.

x. Other key sources of estimation uncertainty

i) Tangible fixed assets
Tangible fixed assets are depreciated over their useful lives taking into account residual values, if appropriate. The actual lives of the assets are assessed annually and may vary depending on a number of factors.

For housing property assets, the assets are broken down into components based on management’s assessment of the properties. Individual useful economic lives are assigned to these components.

ii) Debtors
The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	For the year ended 31 March 2020				For the year ended 31 March 2019			
	Turnover	Cost of Sales	Operating costs	Operating surplus	Turnover	Cost of Sales	Operating costs	Operating surplus
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Social housing lettings								
General needs	22,287	-	16,029	6,258	20,912	-	14,138	6,774
Supported housing and housing for older people	5,761	-	3,881	1,880	5,781	-	3,892	1,889
Shared ownership	598	-	329	269	422	-	275	147
	28,646	-	20,239	8,407	27,115	-	18,305	8,810
Other social housing activities								
First tranche shared ownership sales	2,903	2,221	-	682	1,625	1,066	-	559
Charges for support services	168	-	150	18	290	-	247	43
Other	491	-	375	116	415	-	370	45
Activities other than Social Housing								
Garages, shops, land etc	1,124	-	249	875	1,002	-	755	247
Other non-social housing activities	285	-	227	58	347	-	342	5
Surplus on sale of fixed assets								
Surplus on sale of fixed assets	-	-	-	2,020	-	-	-	1,205
Total	**33,617**	**2,221**	**21,240**	**12,176**	**30,794**	**1,066**	**20,019**	**10,914**

NOTES TO THE FINANCIAL STATEMENTS (continued)

3a. Income and expenditure from social housing activities

	Year ended 31 March 2020				Year ended 31 March 2019
	General needs housing	Supported housing & housing for older people	Shared ownership	Total	Total
	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	21,607	5,198	505	27,310	25,898
Service charge income	424	555	67	1,046	984
Amortised government grants	256	8	26	290	233
Turnover from social housing lettings	**22,287**	**5,761**	**598**	**28,646**	**27,115**
Expenditure on social housing lettings					
Management	5,512	827	-	6,339	5,304
Service charge costs	474	569	38	1,081	977
Routine maintenance	4,504	1,021	-	5,525	4,716
Planned maintenance	672	242	-	914	1,027
Bad debts	(316)	(26)	-	(342)	142
Depreciation of housing properties	5,183	1,248	291	6,722	6,139
Operating expenditure on social housing lettings	**16,029**	**3,881**	**329**	**20,239**	**18,305**
Operating surplus on social housing lettings	**6,258**	**1,880**	**269**	**8,407**	**8,810**
Void losses	**158**	**52**	**-**	**210**	**127**

NOTES TO THE FINANCIAL STATEMENTS (continued)

3b. Particulars of turnover from non-social housing lettings

For the year ended 31 March	2020	2019
	£ ’000	£ ’000
Garage rent	722	610
Shop rent	248	236
Land rent	31	5
Housing act sewerage works	1	1
Leaseholders	79	87
Feed in tariff	35	58
Other	8	5
Total	1,124	1,002

4. Accommodation in management and development

For the year ended 31 March	2020	2019
Social housing	No.	No.
General housing (of which 1 (2019:1) was not owned)		
Social Rent	4,587	4,415
Affordable Rent	443	370
Supported housing - social rent	1,389	1,389
Leasehold scheme for the elderly	30	30
Shared ownership	191	161
Total managed	6,640	6,365
Affordable rent properites under construction as at 31 March	148	55

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Surplus on sale of assets

For the year ended 31 March		2020	2019
		£ '000	£ '000
Disposal proceeds	- right to buy/acquire/auction/VRTB	2,210	1,414
	- 2nd tranche sales	22	141
	- other assets	171	18
Carrying value of fixed assets	- right to buy/acquire	(317)	(270)
	- 2nd tranche sales	(14)	(98)
	- other assets	(52)	-
Disposal Proceeds Fund		-	-
Surplus on disposals		**2,020**	**1,205**

6. Interest receivable and similar income

For the year ended 31 March	2020	2019
	£ '000	£ '000
Interest receivable	(91)	(174)
	(91)	(174)

7. Interest payable and financing costs

For the year ended 31 March	2020	2019
	£ '000	£ '000
Loans and bank overdrafts	3,507	3,658
Commitment fee	83	83
Loan arrangement fee	26	87
	3,616	3,828
Interest payable capitalised on housing properties under construction.	(673)	(265)
Pension interest	232	175
	3,175	3,738
Capitalisation rate used to determine the finance costs capitalised during the period	4.25%	4.58%

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Surplus on ordinary activities before taxation

For the year ended 31 March	2020	2019
	£ '000	£ '000
Depreciation of housing properties	6,471	5,799
Depreciation of other tangible fixed assets	251	340
Impairment	-	-
Operating lease charges		
- motor vehicles	137	133
- piper network control	16	22
- other	16	11
Auditor's remuneration (excl VAT)		
- for audit services	21	19
- for non-audit services	2	2

9. Tax on surplus on ordinary activities

The differences between the total tax charge and the amount calculated by applying the standard rate of UK corporation tax to surplus before tax is as follows:

For the year ended 31 March	2020	2019
	£ '000	£ '000
Current tax reconcilliation		
Surplus on ordinary activities before tax	10,339	8,481
Tax charge at UK corporation tax rate 19%	1,964	1,611
- surplus attributable to charitable activities	(1,964)	(1,611)
Current tax charge	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Employees

The average number of persons employed during the financial year expressed as full-time equivalents (37 hours) was:

For the year ended 31 March	2020	2019
	No.	No.
Administration	25.4	30.3
Asset management and stock investment	16.1	18.5
Housing, care and support	54.6	58.3
Direct maintenance team	41.0	34.2
Total	137.1	141.3

Employees' costs:

For the year ended 31 March	2020	2019
	£ '000	£ '000
Wages and salaries	4,892	4,379
Social security costs	425	430
Other pension costs	510	588
Total	5,827	5,397

11. Key management personnel

The remuneration paid to staff (including Extended Leadership Team) earning over £60,000:

Salary bandings for employees earning over £60,000

For the year ended 31 March	2020	2019
	No.	No.
£60,000 to £70,000	3.0	6.0
£70,001 to £80,000	1.0	1.0
£80,001 to £90,000	-	1.0
£90,001 to £100,000	-	-
£100,001 to £110,000	-	1.0
£110,001 and above	2.0	2.0
	6.0	**11.0**

NOTES TO THE FINANCIAL STATEMENTS (continued)

11a. Directors' emoluments

Following the merger with The Housing Plus Group, the Board members of Stafford and Rural Homes became part of a co-terminus Homes Board. The Board members and Executive Teams were paid from The Housing Plus Group from 1 October 2019 and are disclosed in the accounts of that entity.

The Board and Executive Directors emoluments below relate to the period 1st April 2019 to 30th September 2019.

For the year ended 31 March	2020	2019
	£ '000	£ '000
Executive Directors		
Emoluments (including benefits in kind)	406	336
Pension contributions	23	41
Total	**429**	**377**
Emoluments paid to highest paid executive director disclosed above (excluding pension contributions)	222	133

Karen Armitage, Chief Executive of Stafford and Rural Homes left on 30th September 2019.

The total amount payable to the Chief Executive, who was also the highest paid director in respect of emoluments was £222k (2019: £133k), including compensation for loss of office, excluding pension contributions.

As a member of the Local Government Pension Scheme, the pension entitlement of the exiting Chief Executive was identical to those of other members.

For the year ended 31 March	2020	2019
	£ '000	£ '000
Board Directors		
Emoluments (including benefits in kind)	22	31
Pension contributions	-	-
Total	**22**	**31**

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Housing properties at cost

	Freehold general housing properties	Freehold supported housing properties	Freehold housing properties total	Other	Shared ownership completed	Individual social housing properties under construction	Individual shared equity properties under construction	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2019	151,713	31,217	182,930	24	11,628	9,797	1,271	205,650
Reclassifications	3	(3)	-	-	-	-	-	-
Additions	-	-	-	-	-	27,281	2,316	29,597
Improvements	3,974	785	4,759	-	-	-	-	4,759
Schemes completed	24,213	-	24,213	-	2,730	(24,213)	(2,730)	-
Disposals	(377)	-	(377)	-	-	-	-	(377)
At 31 March 2020	179,526	31,999	211,525	24	14,358	12,865	857	239,629
Depreciation								
At 1 April 2019	(26,206)	(9,171)	(35,377)	(17)	(793)	-	-	(36,187)
Reclassifications	-	-	-	-	-	-	-	-
Depreciation charged in year	(4,943)	(1,236)	(6,179)	(1)	(291)	-	-	(6,471)
Released on disposal	134	-	134	-	-	-	-	134
At 31 March 2020	(31,015)	(10,407)	(41,422)	(18)	(1,084)	-	-	(42,524)
Net book value								
At 31 March 2020	148,511	21,592	170,103	6	13,274	12,865	857	197,105
At 31 March 2019	125,507	22,046	147,553	7	10,835	9,797	1,271	169,463

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Other tangible fixed assets

	Long leasehold offices	Furniture fixtures & fittings	Computers and office equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2019	3,995	1,138	1,775	12	6,920
Reclassifications	-	-	-	-	-
Additions	-	-	30	-	30
Disposals	-	-	-	-	-
At 31 March 2020	3,995	1,138	1,805	12	6,950
Depreciation					
At 1 April 2019	(637)	(890)	(1,378)	(12)	(2,917)
Reclassifications	-	-	-	-	-
Charged in year	(29)	(25)	(197)	-	(251)
Disposals	-	-	-	-	-
At 31 March 2020	(666)	(915)	(1,575)	(12)	(3,168)
Net book value					
At 31 March 2020	3,329	223	230	-	3,782
At 31 March 2019	3,358	248	397	-	4,003

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Investment properties

	Commercial	Garages	Total
	£'000	£'000	£'000
At 1 April 2019	2,070	3,600	5,670
Reclassifications	-	-	-
Additions	-	-	-
Impairments	-	-	-
Disposals	-	-	-
Revaluations	20	(75)	(55)
At 31 March 2020	**2,090**	**3,525**	**5,615**

The Association's investment properties are valued annually on 31 March at fair value, determined by an independent, professionally qualified valuer, Jones Lang LaSalle. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Professional Standards, the National Housing Federations Statement of Recommended Practice and FRS102.

In valuing investment properties, a discounted cash flow methodology was adopted.

The loss on revaluation of investment property arising of £55k (2019: £90k gain) has been debited to the Statement of Comprehensive Income for the year.

Jones Lang LaSalle valuation report as at March 2020 includes the following statement regarding the material valuation uncertainty due to Novel Coronavirus (COVID – 19).
'The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.
Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.
Our valuations are therefore reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this portfolio under frequent review.
For the avoidance of doubt, the inclusion of the "material valuation uncertainty" declaration above does not mean that the valuation cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.'

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Investments in subsidiaries

Intra Group Transactions

Stafford and Rural Homes has three trading subsidiaries, Housing Worx, which carries out housing improvement services, Development Worx, which provides design and build services to SARH and is the contracting vehicle for external partners, suppliers and contractors who support the SARH development programme and County Town Homes, which provides homes for outright sale.

County Town Homes received an investment of £50k from SARH during its incorporation and has subsequently drawn down £800k of the £5m facility made available through an intra-group loan agreement

Recharges of corporate overhead costs from SARH were made to both Housing Worx and Development Worx to ensure the trading subsidiaries pay a fair allocation of central overheads and demonstrate SARH does not subsidise its commercial subsidiaries.

Intra Group charges are payable by SARH to Housing Worx to cover the costs of housing improvement works performed on their behalf. Charges are also payable by SARH to Development Worx for design and build services on their behalf.

16. Properties for sale

For the year ended 31 March	2020	2019
	£ ’000	£ ’000
Shared ownership properties:		
Completed properties	271	898
Work in progress	525	779
	796	**1,677**
Properties developed for outright sale:		
Work in progress	-	-
Total	**796**	**1,677**

17. Stocks

For the year ended 31 March	2020	2019
	£ ’000	£ ’000
Raw materials and consumables	73	67
Telecare equipment	-	5
Total	**73**	**72**

Stock is held at the lower of actual cost and estimated selling price less costs to complete and sell. There have been no impairments in the year (2019: nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Trade and other debtors

For the year ended 31 March	2020	2019
	£ '000	£ '000
Due within one year		
Rent and service charges receivable	1,263	932
Less provision for bad and doubtful debts	(258)	(450)
	1,005	**482**
Grant receivable	-	19
Other trade debtors including court costs and rechargeable works	631	1,534
Other taxation and social security	-	-
Amounts owed by group undertakings	150	61
Prepayments, accrued income and other debtors	427	560
Less provision for bad and doubtful debts	(135)	(371)
	1,073	**1,803**
Due after one year		
Amounts owed by group undertakings	800	800
	800	**800**
Total	**2,878**	**3,085**

19. Creditors: Amounts falling due within one year

For the year ended 31 March	2020	2019
	£ '000	£ '000
Debt (secured) (note 22)	-	5,000
Trade creditors	863	937
Rent and service charges received in advance	1,121	895
Social housing grant received in advance	3,643	1,407
Deferred grant income (note 21)	296	239
Other taxation and social security	119	131
Amounts owed to group undertakings	2,198	966
Recycled Capital Grant	10	
Disposal Proceeds Fund	-	335
Other creditors and accruals	2,492	2,087
Total	**10,742**	**11,997**

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Creditors: Amounts falling due after more than one year

For the year ended 31 March	2020	2019
	£ '000	£ '000
Debt (secured) (note 22)	75,000	75,000
Deferred capital grant (note 21)	12,876	10,351
Loan issue costs	(713)	(739)
Social housing grant received in advance	-	2,970
Recycled Capital Grant	-	36
Total	**87,163**	**87,618**

21. Deferred capital grant

	2020	2019
	£ '000	£ '000
At 1 April	10,590	10,256
Grant received in the year	2,867	566
Released to income in the year	(285)	(232)
At 31 March	**13,172**	**10,590**
Amounts to be released within one year	296	239
Amounts to be released in more than one year	12,876	10,351
	13,172	**10,590**

22. Maturity of debt

Maturity	2020	2019
	£'000	£'000
Within one year	-	5,000
Between one and two years	-	-
Between two and five years	8,000	5,000
After five years	67,000	70,000
	75,000	**80,000**

The loans are secured by a fixed charge over the assets of the Association. The fixed rate financial liabilities have a weighted average interest of 4.5%. As at 31 March 2020 the Association had undrawn loan facilities of £15m from a re-stated loan facility agreed in February 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Financial instruments

For the year ended 31 March	2020	2019
	£ '000	£ '000
Financial assets		
Financial assets measured at historical cost		
Trade receivables	1,005	482
Other receivables	1,073	2,603
Investments	50	50
Cash and cash equivalents	3,275	20,199
Total	**5,403**	**23,334**

For the year ended 31 March	2020	2019
	£ '000	£ '000
Financial liabilities		
Financial liabilities measured at amoritsed cost		
Loans payable	74,287	79,261
Financial liabilities measured at historical cost		
Trade creditors	863	937
Other creditors	9,879	6,060
Total	**85,029**	**86,258**

Stafford and Rural Homes financial instruments are all currently classified as basic and measured at amortised cost.

24. Capital commitments

For the year ended 31 March	2020	2019
	£ '000	£ '000
Expenditure contracted for but not provided in the accounts	23,925	37,983
Expenditure authorised by the board, but not contracted	-	-
	23,925	37,983

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Leases

Operating leases
The Association held vehicles and lone working safety devices on cancellable operating leases. At 31 March 2020 the total of future minimum lease payments under non cancellable operating leases for each of the following periods:

For the year ended 31 March	2020	2019
	£ '000	£ '000
(i) Vehicles		
- Not later than 1 year	137	137
- Later than 1 year not more than 5 years	87	225
(ii) Piper Network Control Equipment		
- Not later than 1 year	16	16
- Later than 1 year not more than 5 years	16	31
(iii) Office equipment and computers expiring		
- Not later than 1 year	8	16
- Later than 1 year not more than 5 years	-	8
Total	**264**	**433**

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Pension

Staffordshire County Council Scheme
Stafford and Rural Homes participates in the Local Government Pension Scheme, which is a multi employer defined benefit Scheme, is funded and is contracted out of the state scheme.

The disclosures necessary in respect of FRS102 are shown in various tables below. The actuary has estimated that the net pension asset/liability as at 31 March 2020 is a liability of £4,066,000 (2019: £8,786,000).

For the year ended 31 March	2020	2019
	% per annum	% per annum
Discount rate	2.30	2.40
Future salary increases	2.25	2.90
Future pension increases	1.75	2.50
Inflation assumptions	1.50	1.90

The life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and long-term rates of 1.25% p.a. for males and females:

For the year ended 31 March	2020	2019
	No. of years	No. of years
Retiring today:		
Males	21.2	22.1
Females	23.6	24.4
Retiring in 20 years:		
Males	22.1	24.1
Females	25.0	26.4

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

For the year ended 31 March	2020	2019
	%	%
Equities	65%	68%
Bonds	23%	21%
Property	10%	8%
Cash	2%	3%

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Pension

Amounts recognised in the Statement of Financial Position

For the year ended 31 March	2020	2019
	£ '000	£ '000
Present value of funded obligations	(38,063)	(46,250)
Fair value of plan assets	33,997	37,464
Net under funding in funded plans	(4,066)	(8,786)
Net Liability	**(4,066)**	**(8,786)**
Amounts in Statement of Financial Position		
Liabilities	**(4,066)**	**(8,786)**

Amounts recognised in surplus or deficit

For the year ended 31 March	2020	2019
	£ '000	£ '000
Current service cost	1,082	1,109
Past service cost	344	15
Loss on settlements		
Amount charges to operating costs	**1,426**	**1,124**
Net interest	232	175
Amount charged to other finance costs	**232**	**175**
Total charged to the Statement of Comprehensive Income	**1,658**	**1,299**

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Pension (continued)

For the year ended 31 March	2020	2019
	£ ’000	£ ’000
Opening scheme liabilities	(46,250)	(40,281)
Current service cost	(1,082)	(1,109)
Past service cost	(344)	(15)
Interest cost	(1,128)	(1,098)
Remeasurements	10,230	(4,011)
Plan participants' contribution	(172)	(205)
Benefits paid	683	469
Closing defined benefit obligation	**(38,063)**	**(46,250)**

For the year ended 31 March	2020	2019
	£ ’000	£ ’000
Opening fair value of plan assets	37,464	34,066
Interest Income	896	923
Plan participants' contributions	172	205
Return of plan assets (in excess of interest income)	(4,729)	2,208
Contribution by the employer	877	531
Benefits paid	(683)	(469)
Closing fair value of plan assets	**33,997**	**37,464**
Actual return on scheme assets	**(4,066)**	**(8,786)**
Actual return on scheme assets %	**6.5%**	**9.2%**

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Related party transactions

All transactions during the year with the local authority were made at arm's length and on normal commercial terms.

Other related parties are Housing Plus Group and its subsidiaries and Stafford and Rural Homes subsidiaries Housing Worx Ltd, Development Worx Ltd and County Town Homes.

For the year ended 31 March	Amounts charged to / (from) other group companies 2020	Amounts charged to / (from) other group companies 2019
	£ '000	£ '000
Housing Plus Group (Parent)		
- Management costs	(464)	-
Property Plus (Subsidary of Parent)		
- Management costs	(2)	-
- Housing improvement works	(25)	
Care Plus (Subsidary of Parent)		
- Management costs	(6)	-
Severnside Housing Association (Subsidary of Parent)		
- Management Costs	(49)	-
South Staffordshire Housing Association (Subsidary of Parent)		
- Lifeline monitoring	23	-
Housing Worx (Subsidary)		
- Management costs	478	302
- Solar Panel rental	35	58
- Gift aid donation	1,002	1,091
- Housing improvement works	(4,982)	(5,677)
Development Worx (Subsidary)		
- Management costs	118	109
- Gift Aid	245	40
- Development Design and Build Services	(7,419)	(5,340)
County Town Homes (Subsidary)		
- Loan		(700)
- Operational expenditure & loan interest	(75)	-
Total	**(10,598)**	**(10,117)**

There are no other related party transactions

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. Group companies

The ultimate parent undertaking and controlling party is the Housing Plus Group Limited, a registered social landlord (Registered Community Benefit Society No. 30224R). The consolidated financial statements of the Housing Plus Group Limited are available from the Company Secretary, Housing Plus Group Limited, Acton Court, Acton Gate, Stafford, ST18 9AP. The Group exercises control over Stafford and Rural Homes and other subsidiaries through regular Board meetings. The Group Board members include the Chair of each of the subsidiary Boards.

29. Reserves

The income and expenditure reserve is the surplus generated from the Association's activities. The final reserves position as at 31 March 2020 is £106.7m (2019: £90.9m).

The revaluation reserve relates to the Association's investment properties adjusted for annual review. The Association's revaluation reserve as at 31 March 2020 is £4.9m (2019: £5.0m).

30. Post balance sheet events

The outbreak of the Covid-19 pandemic is an in-year even reflected in the financial statements to 31 March 2020. The pandemic has impacted on the operations of the entity and this is expected to continue into the 2020/21 financial year. From a financial perspective activity has reduced due to lockdown which may reduce income however, as detailed in note 2, the Directors are satisfied that the Association is a going concern. In order to mitigate any liquidity risk due to the potential impact of Covid-19, Stafford and Rural Homes drew down £4m from its Revolving Credit Facility on 1st April 2020.