ANNUAL REPORT AND FINANCIAL STATEMENTS

31 MARCH 2021

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	**Beever and Struthers** (appointed 1 April 2020) 20 Colmore Circus Queensway, Birmingham, B4 6AT
External Independent Auditors	**KPMG LLP** (appointed 12 November 2020) Chartered Accountants and Statutory Auditors, One Snowhill, Snowhill Queensway, Birmingham, B4 6GH
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 (Chair) – resigned 3 August 2020 G Evans (Chair) – appointed 3 August 2020 C Dass – resigned 23 July 2020 C Royall J Pert R Barber E Harrison P Roberts – appointed 13 July 2020; resigned 9 March 2021 Cath Purdy – appointed 12 November 2020 Heather Bowman – appointed 12 November 2020 P Ingle (Executive Director))
Chief Executive	S Boden
Executive Directors	
Deputy Chief Executive and Finance Director	P Ingle
Property Director	S Collins
Neighbourhoods Director	J Goode (resigned March 2021)
Director of Care and Support	L Clarke
Company Secretary	I Molyneux

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 2021.

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.

Board Members and Executive Officers

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 a Finance Director and Deputy Chief Executive, Property Director, Neighbourhoods Director and the Care and Support Director. The Executive Management Team attends Board meetings.

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

Business & financial review

SARH achieved an operating surplus of £6.6m, a decrease from £12.2m in 2019/20. £0.8m of which was generated from housing property sales, and £0.7m from private garage rental and other non-social housing income. SARH continued to re-invest its surpluses into new housing stock and ended the year with 6,946 housing units, a net increase of 90 on the previous year after RTB stock losses. Arrears performance at the end of the year was 2.4% against a target of 3.0% with average arrears levels of £491.92 per case.

Governance

SARH complies with the Homes and Communities Agency's (HCA) Governance and Financial Viability Standard. In April 2015 The Housing Plus Group adopted the National Housing Federation (NHF) Excellence in Governance Code as its approved Code of Governance. SARH complies with this Code.

Going concern

The Board is intending to carry out a transfer of engagements to South Staffordshire Housing Association during 2021/22 a fellow Group company. Accordingly the Group Board have not prepared the financial statements on a going concern basis. Since all activities of SARH will be continuing within South Staffordshire Housing Association Limited, there have been no required adjustments to the presentation of the Statement of Financial Position. See Note 2 for further details.

REPORT OF THE BOARD (continued)

Statement of compliance

The Board confirms that SARH has complied with all relevant regulatory and legal requirements. The Board evidences this for the Group and its subsidiaries through appropriate policies and procedures and a strong control framework (described in the Group 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 Board's responsibilities in respect of the Board's report and the financial statements

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so (as explained in note 2, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the 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 responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK

REPORT OF THE BOARD (continued)

governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Provision of information to auditors

The Association 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 the Association's auditors are unaware; the directors 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 Association 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
20 July 2021

G Evans **Chair**	**P Ingle** **Director**	**I Molyneux** **Company Secretary**

Independent auditor's report to Stafford and Rural Homes

Opinion

We have audited the financial statements of Stafford and Rural Homes ("the association") for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the association as at 31 March 2021 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been prepared in accordance with 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 2 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Board, the Audit and Risk committee, internal audit and inspection of policy documentation as to the Association's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Association's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit and Risk Committee and Homes Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Obtaining a copy of the Association's fraud register.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

Independent auditor's report to Stafford and Rural Homes (continued)

As required by auditing standards, and taking into account possible pressures to meet loan covenants and regulatory performance targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from property sales is recorded in the wrong period and the risk that Association management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Association-wide fraud risk management controls

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Sample testing of property sales relating to the period prior to 31 March 2021 to determine whether income is recognised in the correct accounting period.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Association is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related co-operative & community benefit society legislation), taxation legislation, pensions legislation and specific disclosures required by housing legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Association is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: anti-bribery, health and safety and employment law recognising the nature of the Association's activities. Auditing standards limit the required audit procedures to identify non-compliance with these

Independent auditor's report to Stafford and Rural Homes (continued)

laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Other information

The Association's Board is responsible for the other information, which comprises the Board's Annual Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over its transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

Board's responsibilities

As explained more fully in their statement set out on pages 3 and 4, the association's Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

Independent auditor's report to Stafford and Rural Homes (continued)

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association for our audit work, for this report, or for the opinions we have formed.

Sarah Brown
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

8 September 2021

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Turnover	3	31,090	33,617
Cost of sales	3	(746)	(2,221)
Operating expenditure	3	(24,299)	(21,240)
Surplus on disposal of housing properties	5	547	2,020
Movement in fair value of investment properties	14	195	(55)
Operating Surplus		**6,787**	**12,121**
Gift aid receipt from subsidiary	25	1,105	1,247
Interest receivable	6	42	91
Interest and financing costs	7	(3,609)	(3,175)
Surplus Before Tax		**4,324**	**10,284**
Taxation	9	-	-
Surplus For The Year		**4,324**	**10,284**
Actuarial (loss)/gain in Respect of Defined Benefit Pension Schemes	26	(3,335)	5,501
Total Comprehensive Income For The Year		**989**	**15,785**

The results stated above are derived from continuing activities.

The accompanying notes on pages 13 to 43 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2021

	2021 Income and Expenditure Reserve £000	2021 Income and Expenditure Reserve £000
Balance at 1 April	111,603	95,818
Total surplus from Statement of Comprehensive Income	**4,324**	**10,284**
Actuarial (losses)/ gains on defined benefit pension scheme	(3,335)	5,501
	-	
Total Comprehensive Income for the year	**(3,335)**	**5,501**
Balance at 31 March	**112,592**	**111,603**

The accompanying notes on pages 13 to 43 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Tangible Fixed Assets			
Housing Properties	12	209,548	197,105
Other Tangible Fixed Assets	13	2,311	3,782
Investment Properties	14	5,810	5,615
		217,669	206,502
Current Assets			
Properties for sale	16	1,280	796
Stocks	17	-	73
Debtors - receivable within one year	18	3,935	2,078
Debtors - receivable after one year	18	244	800
Investments	15	50	50
Cash and Cash Equivalents		4,259	3,275
		9,768	7,072
Creditors: Amounts Falling Due Within One Year	19	(9,240)	(10,742)
Net Current assets/ (liabilities)		**528**	**(3,670)**
Total assets Less current liabilities		**218,197**	**202,832**
Creditors: Amounts falling due after more than one year	20	(98,159)	(87,163)
Net assets excluding pension liability		120,038	115,669
Pension Liability	26	(7,446)	(4,066)
Total Net Assets		**112,592**	**111,603**
Reserves			
Income and Expenditure Reserve		112,592	111,603
Total Reserves		**112,592**	**111,603**

The financial statements were approved by the Board and authorised for issue and signed on its behalf on 20 July 2021 by:

G Evans
Chair

P Ingle
Director

I Molyneux
Company Secretary

The accompanying notes on pages 13 to 43 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

In previous years, the financial statements have been prepared on a going concern basis. However, during 2021/22 the Board is planning to transfer the engagements of SARH into South Staffordshire Housing Association Limited (SSHA). Accordingly the Group Board have not prepared the financial statements on a going concern basis. Since all activities of SARH will be continuing within South Staffordshire Housing Association Limited, there have been no required adjustments to the presentation of the Statement of Financial Position

The Directors have reviewed the underlying 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. Debt mitigations were needed for all scenarios, with the ‘perfect storm’ scenario requiring a 25% reduction in repairs and maintenance spend of £4.2m and the removal of £46m of uncommitted development. In addition, a reduction in non-business critical back office costs of

NOTES TO THE FINANCIAL STATEMENTS (continued)

£0.6m per annum and the sale of SARH investment properties and offices generating £3.3m is required to maintain loan compliance against the EBITDA (MRI) covenant.

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 remained strong during the period with little change in the arrears figure to date with performance at 2.4% which is below 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.

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 2021 SARH had £4.3m of cash and a further £34m of available facilities ready to draw down.

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 underlying activities 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. However as mentioned above SARH is intending to a progress a transfer of engagements to SSHA, consequently the Board therefore consider it appropriate for the accounts of the Association to be prepared on a non-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 financial statements include VAT to the extent that it is suffered

NOTES TO THE FINANCIAL STATEMENTS (continued)

by the Association and not recoverable from HM Revenue and Customs (HMRC).The Association is able to reclaim VAT in line with a Partial Exemption Special Method agreed with HMRC.

VAT reclaimed under the partial exemption method is calculated using a sectorised approach, allowing the different activities of the Group to be assessed separately for recovery based on the VAT treatment of the supply.

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 financial 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 the Association's housing assets.

Interest and financial costs are charged to the Statement of Comprehensive Income in the year in which it is incurred.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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).

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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 where the carrying amount is compared to the recoverable amount. If the carrying amount of an asset or cash generating unit exceeds the higher of the value in use or fair value less costs to sell then the loss is charged to the Statement of Comprehensive Income as expenditure and as a separate line within operating expenditure where it is considered to be material.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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;

NOTES TO THE FINANCIAL STATEMENTS (continued)

- 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.

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

The income and expenditure reserve is the surplus generated from the Association's activities.

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.

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 2021, 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)

ii) Revaluation of investment properties

The association carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The association engaged independent valuation specialists to determine the fair value at the reporting date. The valuer used a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long-term vacancy rate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Note	Year Ended 31 March 2021				Year Ended 31 March 2020			
		Turnover £'000	Cost of Sales £'000	Operating Expenditure £'000	Operating Surplus/ (Deficit) £'000	Turnover £'000	Cost of Sales £'000	Operating Expenditure £'000	Operating Surplus/ (Deficit) £'000
Social Housing Lettings									
Genral needs	3a	22,404	-	(16,840)	5,564	22,287		(16,029)	6,258
Supported housing and housing for older people	3a	5,991	-	(2,795)	3,196	5,761		(3,881)	1,880
Shared Ownership	3a	656	-	(222)	434	598	-	(329)	269
	3a	29,051	-	(19,857)	9,194	28,646	-	(20,239)	8,407
Other Social Housing Activities									
First tranche shared ownership sales		1,039	(746)	(37)	256	2,903	(2,221)	-	682
Charges for support services		-	-	(4,310)	(4,310)	168	-	(150)	18
Other		147	-	(69)	77	491	-	(375)	116
Activities other than Social									
Garages, shops, Land etc		709	-	(26)	683	1,124	-	(249)	875
Other non social housing activities		144	-	-	144	285	-	(227)	58
Surplus on sale of fixed assets									
Surplus on sale of fixed assets		-	-	-	547	-	-	-	2,020
Total		**31,090**	**(746)**	**(24,299)**	**6,592**	**33,617**	**(2,221)**	**(21,240)**	**12,176**

NOTES TO THE FINANCIAL STATEMENTS (continued)

3a. Income and expenditure from social housing activities

	Year Ended 31 March 2021				Year Ended 31 March 2020
	General Housing £'000	Supported Housing £'000	Low Cost Home Ownership £'000	Total £'000	Total £'000
Income					
Rent Receivable net of identifiable service charges	21,835	5,056	593	27,484	27,310
Service Charge Income	447	900	50	1,397	1,046
Amortised government grants	123	4	13	139	290
Other Income		31		31	-
Turnover from Social Housing Lettings	**22,404**	**5,991**	**656**	**29,052**	**28,646**
Operating Expenditure					
Management	(2,981)	(797)	(87)	(3,865)	(6,339)
Service Charge Costs	(65)	(214)	-	(279)	(1,081)
Routine Maintenance	(5,365)	(1)	-	(5,367)	(5,525)
Planned Maintenance	(4,184)	(267)	(2)	(4,452)	(914)
Bad Debts	(72)	(9)	-	(81)	342
Depreciation of Housing Properties	(4,174)	(1,507)	(133)	(5,813)	(6,722)
Operating Expenditure on Social Housing Lettings	**(16,840)**	**(2,795)**	**(222)**	**(19,857)**	**(20,239)**
Operating Surplus/(Deficit) on Social Housing Lettings	**5,564**	**3,196**	**434**	**9,195**	**8,407**
Void Losses	(283)	(136)	-	(419)	210

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Year Ended 31 March 2021 £000	Year Ended 31 March 2020 £000
Garage rent	507	722
Shop rent	114	248
Land rent	-	31
Housing act sewarage works	-	1
Leaseholders	89	79
Feed in tariff	-	35
Other	-	8
	709	**1,124**

4. Accommodation in management and development

	Year Ended 31 March 2021 Number	Year Ended 31 March 2020 Number
General Needs Housing		
- Social Rent	4,611	4,587
- Affordable Rent	490	443
Supported Housing and Housing for Older People		
- Social Rent	1,385	1,389
Low Cost Home Ownership	213	191
Total Social Housing Units	6,699	6,610
Leasehold	247	246
Total owned and managed	**6,946**	**6,856**
Units Under Construction	161	148

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Surplus on sale of assets

	Year end 31 March 2021				
	Low Cost Home Ownership £'000	RTB £'000	Other Housing Properties £'000	Total £'000	Total 31 March 2020 £'000
Disposal Proceeds	-	499	195	**694**	2,403
Cost of Sales	-	(115)	(22)	**(137)**	(383)
Selling Costs	-	(7)	(3)	**(10)**	-
Grants Recycled	-	-	-	**-**	-
Net surplus on disposal of Housing Properties	**-**	**377**	**170**	**547**	**2,020**

6. Interest receivable and similar income

	Year Ended 31 March 2021 £'000	Year Ended 31 March 2020 £'000
Interest receivable and other income	42	91
Interest receivable and other income	**42**	**91**

7. Interest payable and financing costs

	Year Ended 31 March 2021 £'000	Year Ended 31 March 2020 £'000
Loans and bank overdrafts	(3,414)	(3,507)
Commitment fee	(189)	(83)
Loan arrangment fee	(50)	(26)
	(3,653)	(3,616)
Interest payable capitalised on housing properties under construction	137	673
Net interest on pension liability	(93)	(232)
Interest and Financing Costs	**(3,609)**	**(3,175)**
Capitaisation used to determine the finance costs capitlised during the period	4.25%	4.25%

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Surplus/ (deficit) on ordinary activities before taxation

This is arrived at after charging/(crediting):	Note	Year Ended 31 March 2021 £'000	Year Ended 31 March 2020 £'000
Depreciation:			
Housing Assets		5,813	6,471
Other Property, Plant and Equipment		334	251
Impairment:			
Other Tangible Fixed Assets		1,065	-
Amortisation:			
Grant		(139)	-
Operating lease rentals	25		
Motor vehicles		-	137
Piper network control		16	16
Other		8	16
Auditor's Remuneration (incl. expenses excl. VAT):			-
Fees for the audit of the financial statements		25	21
Fees for other services		-	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:

	Year Ended 31 March 2021 £'000	Year Ended 31 March 2020 £'000
Surplus on ordinary activities before tax	**4,324**	**10,339**
Current tax at 19%	822	1,964
surplus attributable to charitable activities		(1,964)
Expenses not deductible for tax pruposes		
Income not taxable for tax purposes	(822)	-
Amounts (charged)/credited directly to equity or otherwise transferred		
Chargeable Gains/(losses)		
Group loss relief		
Adjustments to tax charge in respect of previous periods	-	-
Deferred tax not recognised	-	
Corporation Tax charge for the period	**-**	**-**

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:

	Year Ended 31 March 2021	Year Ended 31 March 2020
Administration and Management	11.9	25.4
Asset management and stock investment	9.2	16.1
Housing Support & Care	47.6	54.6
Direct maintenance team	-	41.0
Total	**68.0**	**137.1**

	Note	Year Ended March 2021	Year Ended 31 March 2020
Employee Costs:		**£'000**	**£'000**
Wages and salaries		2,256	4,892
Social Security costs		217	425
Other pension costs	20	364	510
Total		**2,838**	**5,827**

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

Salary bandings for employees earning over £60,000

	Year Ended 31 March 2021	Year Ended 31 March 2020
	Number	Number
£60,000 to £70,000	-	3
£70,000 to £80,000	-	1
£110,000 and above	-	2
	-	6

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. 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.

	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000
Execuitive Directors		
Emoluments (including benefits in kind)	-	406
Pension contribution	-	23
Total	-	**429**
Emoluments paid to highest paid executive director disclosed above (excluding pension contributions)	-	222

	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000
Board Directors		
Emoluments (including benefits in kind)	-	22
Pension contribution	-	0
Total	-	**22**

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Housing Properties at Cost

2021

	Houses for Letting		Low Cost Home Ownership			
	Complete for Letting £'000	Under Construction £'000	Complete for Letting £'000	Under Construction £'000	Other £'000	Group Total £'000
COST						
At 1 April	211,525	12,865	14,358	857	24	239,629
Reclassification	(511)		511		-	-
Additions*	1,125	13,362	-	4,808	-	19,295
Disposals	(394)	-	(122)	-	-	(516)
Transfers (Note 12a)	8,593	(8,593)	2,152	(2,936)	-	(784)
At 31 March	**220,338**	**17,634**	**16,899**	**2,729**	**24**	**257,624**
LESS ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 April	(41,422)	-	(1,084)	-	(18)	(42,524)
Reclaissification	6		(6)		-	-
Depreciation charge for year	(5,617)	-	(133)	-	-	(5,750)
Eliminated in respect of Disposals	198	-	-	-	-	198
At 31 March	**(46,835)**	**-**	**(1,223)**	**-**	**(18)**	**(48,076)**
Net book value						
At 31 March	173,504	17,634	15,676	2,729	6	209,548
At 1 April	170,103	12,865	13,274	857	6	197,105

*The value of additions related to replacement of components for Housing Properties Assets equates to £940k (2019/20 was £4,759k).

NOTES TO THE FINANCIAL STATEMENTS (continued)

12a. Housing Properties at Cost

	2021					2020
	Houses for Letting		Low Cost Home Ownership			
	Complete for Letting	Under Construction	Complete for Letting	Under Construction	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Complete properties	8,592	(8,592)	2,152	(2,152)	-	-
Transfer to Current Assets	-	-	-	(784)	(784)	(1,027)
Transfers	**8,592**	**(8,592)**	**2,152**	**(2,936)**	**(784)**	**(1,027)**

Housing properties book value, net of depreciation and impairments

	2021	2020
	£'000	£'000
Freehold land and buildings	209,548	197,105
	209,548	**197,105**

Interest Capitalisation

	2021	2020
	£'000	£'000
Interest capitalised in the year	137	673
Cumulative interest capitalised	2,228	1,555
	2,365	**2,228**
Rate used for capitalisation	4.25%	4.25%

Charges against housing properties

	2021	2020
Number of properties on which there is a fixed charge	5,494	5,661
Number of properties not securitised	1,452	1,295
Total number of properties	**6,946**	**6,956**

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Other Tangible Fixed Assets

	Lomg leasehold offices	Furniture fixtures & fittings	2021 Computer and office equipment	Motor Vehicles	Total
	£000	£000	£000	£000	£000
COST					
At 1 April	3,995	1,138	1,805	12	6,950
Asset Reclassification	-	1,033	(1,033)	-	-
Additions	-	5	-	-	5
Disposals	-	-	(753)	-	(752)
At 31 March	3,995	2,176	20	12	6,203
Accumulated Depreciation & Impairment					
Depreciation at 1 April	(666)	(915)	(1,575)	(12)	(3,168)
Asset Reclassification	-	(966)	966	-	-
Depreciation charge for year	(29)	(219)	(86)	-	(334)
Eliminated in respect of disposals	-	-	675	-	675
Impairment (losses) / reversals	(1,065)	-	-	-	(1,065)
At 31 March	(1,760)	(2,100)	(20)	(12)	(3,892)
Net book value					
At 31 March 2021	2,235	76	0	-	2,311
At 1 April 2020	3,329	223	230	-	3,782

14. Investment Properties

	2021 £'000	2020 £'000
Balance at 1 April	5,615	5,670
Movement fair value adjustments	195	(55)
Balance at 31 March	**5,810**	**5,615**

All investment properties were valued as at 31st March 2021 using the valuation methodology – market value subject to tenancies (MV-STT). The valuations were performed by independent valuers with recognised and relevant qualifications (Jones Lang LaSalle). There are no restrictions on the investment property and there are no contractual obligations to purchase, construct or develop investment property.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Investments in subsidiaries

Intra Group Transactions

Stafford and Rural Homes has two trading subsidiaries, 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 was incorporated to provides homes for outright sale. Stafford and Rural Homes has one dormant subsidiary, Housing Worx, which ceased trading on 1 April 2020.

County Town Homes received an investment of £50k from SARH during its incorporation and has drawn £800k and subsequently repaid £725k of a £5m facility made available through an intra-group loan agreement. The current loan balance with SARH is £75k.

Recharges of corporate overhead costs from SARH were made to 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 Development Worx for design and build services on their behalf.

16. Properties for sale

	2021	2020
	£'000	£'000
LCHO properties:		
Completed Properties:	365	271
Work in progress	915	525
Total LCHO	**1,280**	**796**
Properties developed for outright sale:		
Work in progress	-	-
Total Stock	**1,280**	**796**

17. Stocks

	2021	2020
	£'000	£'000
Raw materials and consumables	-	73
Telecare equipment	-	-
Total Stocks	**-**	**73**

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 (2020: nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Debtors

Due within one year	2021 £'000	2020 £'000
Rent and service charges receivable	1,685	1,263
Less: Provision for bad and doubtful debts	(376)	(258)
	1,309	1,005
Other debtors including court costs and rechargeable works	816	631
Other taxiation and social security	406	-
Amounts due from group undertakings	1,203	150
Prepayments, accrued income and other debtors	211	427
Less: Provision for bad and doubtful debts	(11)	(135)
	2,626	1,073
Total due within one year	**3,935**	**2,078**
Due after one year		
Amounts due from group undertakings	244	800
Total Debtors	**4,179**	**2,878**

19. Creditors: Amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	-	863
Rents and service charges received in advance	1,294	1,121
Social housing grant received in advance	3,643	3,643
Deferred captal grant (note 21a)	139	296
Other taxation and social security	-	119
Amounts owed to group undertakings	1,668	2,198
Recycled Capital Grant Fund (note 21b)	-	10
Other credtors and accruals	2,496	2,492
Total Creditors: Amounts falling due within one year	**9,240**	**10,742**

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	2021 £'000	2020 £'000
Debt (secured) (note 22)	86,000	75,000
Deferred captal grant (note 21a)	12,893	12,876
Loan issue costs	(766)	(713)
Recycled Capital Grant Fund (note 21b)	10	-
Other Creditors	22	-
Total Creditors: Amounts falling due after more than one year	**98,159**	**87,163**

21a. Deferred capital grant

The Association has received government grants in order to develop the housing properties. A breakdown of this grant is shown below:

	2021 £'000	2020 £'000
At 1 April	13,172	10,590
Grants received during the year	-	2,867
Released to income during the year	(139)	(285)
Total	**13,032**	**13,172**
Amounts due within one year	139	296
Amounts due after more than one year	12,893	12,876
	13,032	**13,172**

21b. Recycled capital grant fund

	2021 £'000	2020 £'000
At 1 April	10	36
Grants recycled	-	(26)
Total	**10**	**10**
Amounts due within one year	-	10
Amounts due after more than one year	10	-
	10	**10**

22. Maturity of Debt

	2021 £'000	2020 £'000
In more than two years but not more than five years	21,000	8,000
In more than five years	65,000	67,000
	86,000	**75,000**

The loans are secured by a fixed charge over the assets of the Association. The fixed and variable rate financial liabilities have a weighted average interest of 4.07%. As at 31 March 2021 the Association had undrawn loan facilities of £34m from a re-stated loan facility agreed in September 2020.

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Financial Instruments

	Note	2021 £'000	2020 £'000
Financial assets			
Financial assets measured at historical cost			
Trade receivables		1,309	1,005
Other receivables		2,870	1,873
Investments		50	50
Cash and cash equivalents		4,259	3,275
Total		**8,488**	**6,203**
Financial liabilitiies			
Financial Liabilities measured at amortised cost			
Loans payable			
Loans		85,234	74,287
Trade creditors		-	863
Other creditors		9,262	9,879
Total		**94,496**	**85,029**

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

24. Capital commitments

	2021 £'000	2020 £'000
Expenditure contracted but not provided in the financial statements	23,223	23,925
Expenditure authorised by the Board but not contracted	66,670	-
Total Capital commitments	**89,893**	**23,925**

These commitments are to be financed by the receipt of social housing grant and a mixture of other grants, reserves and proceeds from the sale of housing properties as follows:

	2021 £'000	2020 £'000
Loans and reserves	56,803	-
Social housing grant	10,130	9,217
Other grant funding	-	-
Forecast sales	22,960	14,708
Total Gross Expenditure	**89,893**	**23,925**

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 2021 the total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2021 £'000	2020 £'000
Leases for vehicles:		
Not later than one year	-	137
Later than one year and not later than five years	-	87
Piper Network Control Equipment		
Not later than one year	16	16
Later than one year and not later than five years	16	16
Leases for office equipment and computers:		
Not later than one year	8	8
	39	**264**

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 2021 is a liability of £7,446,000 (2020: £4,066,000).

Assumptions as at	31 Mar 2021 %p.a.	31 Mar 2020 %p.a.
Salary increases	3.30%	2.25%
Pension increases	2.80%	1.75%
Discount rate	2.00%	2.30%

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:

	Males	Females
Current Pensioners	20.9 years	23.6 years
Future Pensioners*	21.6 years	24.9 years

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

Categories of plan assets as a % of total plan assets	Assets at 31 Mar 2021	Assets at 31 Mar 2020
	%	%
Equities	72	65
Bonds	19	23
Property	8	10
Cash	1	2

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Pension

Net pension liability as at	31 Mar 2021	31 Mar 2020
	£'000	£'000
Fair value of employer assets	42,265	33,997
Present value of funded obligations	(50,711)	(38,063)
Net (under)funding in funded plans	(7,446)	(4,066)
Present value of unfunded liabilities	-	-
Net pension (liability)	**(7,446)**	**(4,066)**

The estimate of the liability comprises of approximately £22,913,000 (2020: £15,841,000), £14,432,000 (2020: £10,204,000) and £13,366,000 (2020: £12,018,000) in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2021. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable for certain types of employer. However, the Actuary is satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

	Year to 31 Mar 2021	Year to 31 Mar 2020
Amount charged to operating surplus	£'000	£'000
Current service cost*	(577)	(1,082)
Past service cost	-	(165)
Total operating charge	**(577)**	**(1,247)**
Amount charged to financing costs		
Interest income on plan assets	782	896
Interest cost on defined benefit obligation	(875)	(1,125)
Total net interest	**(93)**	**(229)**
Total defined benefit cost recognised in surplus for the year	**(670)**	**(1,476)**

* The Service Cost figures include an allowance for administration expenses of 0.6% (2020: 0.5%) of payroll.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Pension (continued)

Re-measurements recognised in Other Comprehensive Income	Year to 31 Mar 2021	Year to 31 Mar 2020
	£'000	£'000
Change in financial assumptions	12,410	5,341
Change in demographic assumptions	(255)	1,773
Other experience	(360)	3,116
Return on assets (excluding amounts included in net interest)	(8,460)	(4,356)
Total re-measurements recognised in Other Comprehensive Income	**3,335**	**5,874**

Reconciliation of defined benefit obligation	Year to 31 Mar 2021	Year to 31 Mar 2020
	£'000	£'000
Opening defined benefit obligation	**38,063**	**46,432**
Current service cost	577	1,082
Past service cost	-	165
Interest cost	875	1,125
Contributions from members	116	172
Actuarial (gains)/losses	11,795	(10,230)
Estimated unfunded benefits paid	-	-
Estimated benefits paid	(715)	(683)
Closing defined benefit obligation	**50,711**	**38,063**

26. Pension (continued)

Reconciliation of fair value of employer assets	Year to 31 Mar 2021	Year to 31 Mar 2020
	£'000	£'000
Opening fair value of employer assets	**33,997**	**37,091**
Expected return on assets	8,460	(4,356)
Interest income on plan assets	782	896
Contributions from members	116	172
Contributions from employer	625	877
Contributions in respect of unfunded benefits	-	-
Unfunded benefits paid	-	-
Benefits paid	(715)	(683)
Closing fair value of employer assets	**43,265**	**33,997**

History of gains and losses	Year to 31 Mar 2021	Year to 31 Mar 2020
	£'000	£'000
Fair value of employer assets	42,265	33,997
Present value of defined benefit obligations	(50,711)	(38,063)
Deficit	**(7,446)**	**(4,066)**

27. Related party transactions

Transactions with non-regulated members of the Group

2021	Property Plus Limited £'000	Housing Worx £'000	Development Worx	County Town Homes	Care Plus Limited
Inflow					
Services provided	2,478	-	-	-	154
Gift Aid	-	760	345	-	-
Loan Finance	-	-		725	-
Total	**2,478**	**760**	**345**	**725**	**154**
Outflow					
Services received	7,990	-	2,937	-	130
Total	7,990	-	2,937		130
2020					
Inflow					
Services provided	-	513	118	75	-
Gift Aid	-	1,002	245	-	-
Total	**-**	**1,515**	**363**	**75**	**-**
Outflow					
Services received	27	4,982	7,419	-	6
Total	**27**	**4,982**	**7,419**	**-**	**6**

At the year end the following net trading and loan balances were due from/ (to) non regulated entities:

	2021 £000	2020 £000
Property Plus	(446)	(18)
Housing Worx	-	(305)
Development Worx	(470)	(1,319)
County Town Homes	244	925
Care Plus	9	(6)
Total	**(663)**	**(723)**

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.