FCA Reg No. 30651R
Homes England Reg. No. L4312

Cottsway Housing Association Limited

Strategic Report and Financial Statements

For the year ended 31 March 2020

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Group and Association Information

Board:

Alice Cummings

Stephen Good (Resigned 30 September 2019)

Alix Green (Appointed 1 April 2020)

Andrew Hall (Chair)

Lizzie Hieron (Appointed 1 April 2020)

Emma Kenny

Sue Lakin (Appointed 24 October 2019)

Quinton Quayle

Richard Purchase

Richard Reynolds (Appointed 24 October 2019)

Vivian Rosser

Colin Sherriff (Resigned 31 March 2020)

Sharon Whittaker (Resigned 30 September 2019)

Executive directors:

Chief Executive	Vivian Rosser
Operations Director	Sue Lakin
Resources Director	Richard Reynolds

Company Secretary: Nicola Avian

Funders:

Natwest Bank plc
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280 Bishopsgate
London EC2M 4RB

Dexia Public Finance Bank
13th Floor
200 Aldersgate Street
London EC1A 4HD

Lloyds Bank plc
3rd Floor
25 Gresham Street
London EC2V 7HN

Macquarie Bank International Limited
Ropemaker Place
28 Ropemaker Street
London EC2Y 9HD

Principal Solicitor:
Trowers & Hamlins LLP
3 Bunhill Row
London EC1Y 8YZ

Clearing Banker:
NatWest Bank plc
Oxford Commercial Office
Willow Court, Minns Business Park
7 West Way
Oxford OX2 0JB

External Auditor:
KPMG LLP
Gateway House
Tollgate
Chandlers Ford SO53 3TG

Internal Auditor:
RSM Risk Assurance Services LLP
Chelmsford, Essex
CM1 1LN

Chair's Statement

A significant milestone

This year has seen a couple of firsts for the Cottsway Group, we have reached 5,000 homes under management and Cottsway 2 has delivered the first of its new homes less than twelve months after being formed.

We have seen an increase in the delivery of new homes to 186 compared to 145 last year. Importantly we now have 484 homes under contract for delivery over the next five years with further schemes in the pipeline to support our growth plans.

We continue to invest each year in our properties to ensure they are good quality and safe, so our customers feel secure in their homes.

Our customer satisfaction ratings have grown to a very strong 90%. We were one of the early adopters of the NHF 'Together with tenants' initiative, which supports openness and transparency enabling customers to hold their landlords to account.

From a financial perspective, Cottsway maintained its operating margin at more than 40%, despite the one per cent rent cut imposed nationally on all registered providers.

We continued to focus on our headline cost per home, which this year has seen a fall to £2,692 maintaining our top quartile performance whilst ensuring compliance with the decent homes standard.

The Coronavirus pandemic has impacted on our ability to deliver some services for customers as we adapt the way we work to keep our staff and customers safe. We have been making regular calls with our most vulnerable and elderly customers and working with partners to ensure wherever possible their needs are supported. We have also been working closely with local authorities to support those families that have become homeless and where possible providing permanent housing for them.

Although the financial impact in 2019/20 was minor we are planning for a more significant impact in 2020/21 and have plans in place to enable us to meet our aims.

None of our achievements would have been possible without the dedication and commitment of our staff and stakeholders, and I would like to record the Board's thanks for their continued support and efforts.

Andrew Hall

Chair

Strategic Report of the Board

Principal Activity

The principal activity of Cottsway is providing general affordable housing for rent and shared ownership.

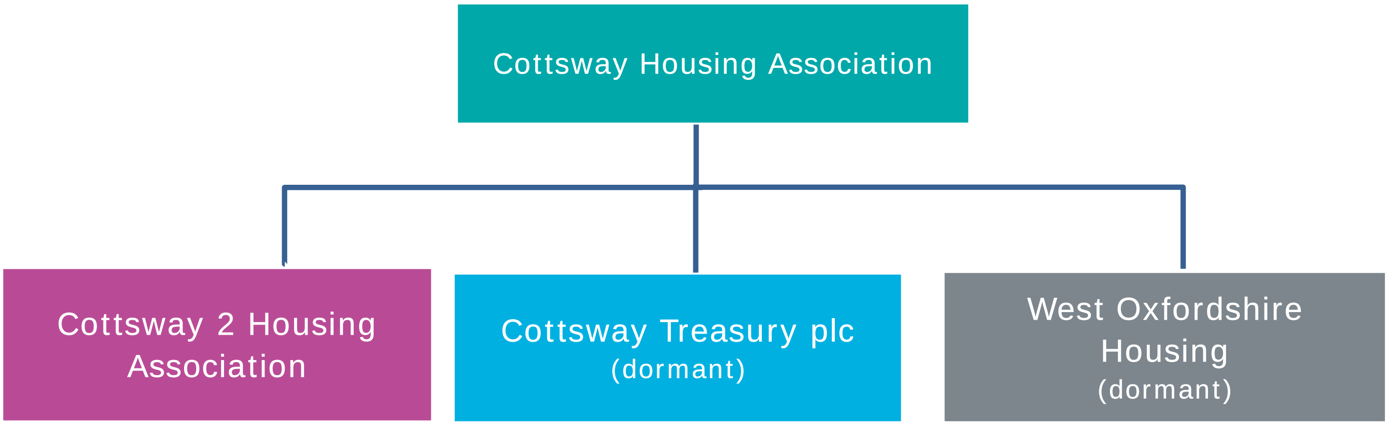
The Board

The following members served during the year: -

Membership	Group Board to 30 Sep 2019	Group Board from 1 Oct 2019	Audit & Risk to 30 Sep 2019	Audit & Risk from 30 Sep 2019	Remuneration	Treasury and Finance from 01 Jan 2020
Alice Cummings	☑	Vice Chair	Chair	Chair		
Stephen Good (resigned 30 September 2019)	☑		☑			
Alix Green (appointed 1 April 2020)						
Andrew Hall	Chair	Chair			☑	
Lizzie Hieron (appointed 1 April 2020)						
Emma Kenny	☑	☑			☑	Chair
Sue Lakin (Executive) (appointed 24 Oct 2019)		☑				
Quinton Quayle	☑	☑	☑	☑		☑
Richard Purchase	☑	☑			Chair	
Richard Reynolds (Executive) (appointed 24 Oct 2019)		☑				
Vivian Rosser (Chief Executive)	☑	☑				
Colin Sherriff (resigned 31 March 2020)	☑	☑	☑	☑		
Sharon Whittaker (resigned 30 September 2019)	☑	☑			☑	

Group Structure and Governance

Our Group has a very simple structure outlined below:



The Board is committed to the highest standards of corporate governance. This is the whole system of governance, leadership and management of the business that leads to successful delivery of the Group's purpose and strategic objectives. This includes the role of the Board in fulfilling the co-regulation responsibility set out in the Regulatory Framework published by the Regulator of Social Housing.

Membership of the Board is skills-based, with competencies being assessed against the Group's strategic objectives. Under its rules the Board can have up to a total of 10 members in addition to co-optees and currently all 10 positions are filled. These members are made up of seven Non-Executives and the three Executive directors. All Board members, including the Chair, are appraised every year. The term of office of all members, excluding Executives, is now fixed at two consecutive terms of up to three years each with possible extension of one year on a skills basis.

Cottsway follows best practice regarding corporate governance. The Group complies with the principal recommendations of the National Housing Federation's Code of Governance 2015 and has adopted a range of policies and procedures to help achieve these. The Board evaluated compliance as at 31 March 2020 and did not identify any potential areas of non-compliance.

Cottsway receives feedback directly from customers through structured independent surveys and other methods. Our standing scrutiny panel also provides reports on key aspects of service delivery and operational performance directly to the Board, the members being customers who are drawn from across all areas of our operation.

The Board is ultimately responsible for governance however it is supported in this by three standing sub-committees: Audit and Risk, Treasury and Finance and a Remuneration committee. These committees are supplemented by short-life 'task and finish' groups that are established as and when required to focus on specific emerging issues. A split of the governance responsibilities between the Board and Committees is shown overleaf:

Board	Audit and Risk	Remuneration	Treasury and Finance
Strategy Structure Corporate Governance Reputation Management Policies Performance Standards Financial Reporting Health and Safety Development and Asset Investment	External Audit Internal Audit Risk and Assurance Management Internal Controls Probity	Remuneration Policy Workforce Policies and Strategies Executive and Board Recruitment and Pay	Financial Management and Reporting Treasury Management Value for Money Pension Schemes

Operating and Financial Review

The Board has defined the purpose of the business as follows:

To serve those in need of housing for whom the market is not producing a solution, within a manageable, cost effective area.

We have defined what we will and will not do relating to four key issues:

Geography

The Group will focus its operations within a manageable and cost-effective distance of its headquarters in Witney.

The Group, where financially advantageous, will seek to dispose of or swap stock that is too far removed from our base in Witney for us to offer a cost-effective, affordable service.

The Group will consider all growth opportunities on a value for money basis, ensuring economies of scale and effectiveness of our service operations in the area.

Tenures

The aim is to provide homes across a wide range of tenures to meet the needs of those unable to access secure, affordable accommodation through private rent or buying a property.

This requires developing a range of social, affordable and sub-market rental homes. The Group may develop market rent housing to generate surpluses to cross-subsidise other activities where it doesn’t use capacity that would generate higher returns from alternative activities. This may also mean providing a more secure form of tenure for those whose only alternative is to rent privately.

The Group will build accommodation for shared ownership and will explore partnerships with other organisations to meet the needs of local key workers and other groups who are priced out of home ownership in its operating area.

Services

The core mission is to provide homes. This will not diversify into providing support services for residents who may need these to live independently in the Group's properties. The Group will work in partnership with service providers to explore the potential to provide specialist accommodation for specific groups of people when needed. The Group will also ensure its staff can link its residents to local services and, through partnerships, will aim to ensure that local services are provided by others to meet the needs of residents.

Building communities, and meeting short term housing need

The Group seeks to achieve a balance between providing long-term secure homes in which people can build their lives and ensuring that scarce housing stock is allocated in ways that make it available to those most in need.

The Group will work in partnership with local authorities in its areas of operation to address the need for temporary accommodation for homeless people and others who need short-term housing for other reasons.

Operating and Financial Review

Operational performance in the year

The Group has a corporate plan, the delivery of which is monitored through customer feedback and key performance indicators. The Board has adopted the key metrics from the housing sector's value for money standard and performance data is included in the summary below.

At the end of 31 March 2020 - 53 (2019: 56) properties are held for disposal or redevelopment in the near future.

During the year, the Group completed 186 new homes at a cost of £33.7m, 126 homes for affordable rent, two for social rent and 58 for low-cost home ownership. As at 31 March 2020, 23 completed low-cost home ownership properties were unsold, three of which had been reserved.

Financial Review

The Group's three-year income and expenditure accounts and balance sheets are summarised below:

Group highlights: three-year summary

For the year ended 31 March	2020 (£'000)	2019 (£'000)	2018 (£'000)
Income and Expenditure account			
Total turnover	34,258	32,819	30,996
Income from lettings	27,552	27,133	26,514
Operating surplus	13,762	14,737	15,921
Interest payable	9,319	8,845	9,274
Surplus for the year	4,507	5,932	6,659
Total expenditure on repairs	7,291	6,713	5,504
Total employee cost	6,572	6,245	5,428
Housing depreciation	5,631	5,332	5,011
Average monthly no. of employees	139	134	130
Balance Sheet (£'000)			
Housing properties	348,651	315,444	299,505
Other fixed assets	4,644	4,228	3,787
Other Investments	30	30	20
Fixed assets	**353,325**	**319,702**	**303,312**
Net current assets (liabilities)	9.492	8,611	4,297
Total assets less current liabilities	**362,817**	**328,313**	**307,609**
Loans (due after more than one year)	220,480	195,790	181,493
Pensions liability	2,702	5,444	3,699
Other long-term liabilities	5,277	69	70
Reserves : revaluation	65,828	66,780	68,064
: revenue	68,307	57,480	51,728
: restricted	223	2,750	2,555
: total	**134,358**	**127,010**	**122,347**
	362,817	**328,313**	**307,609**
Accommodation figures	Number	Number	Number
Social housing owned	5,000	4,823	4,696
Managed for others	-	-	-
Statistics	**2020**	**2019**	**2018**
Operating surplus for the year as % of turnover	40.2%	44.9%	51.4%
Operating surplus % on social housing lettings	38.6%	42.2%	46.8%
Rent losses *(voids and bad debts as % of rent receivable)*	1.9%	1.1%	0.8%
Rent arrears *(current and former tenant arrears as % of rent and service charges receivable)**	3.92%	3.94%	4.17%
Interest cover *(operating surplus, after adding back housing depreciation as % of interest payable)-including major repairs expenditure and capitalised interest*	162.2%	171.1%	172.8%
Gearing *(loans less cash divided by housing properties)*	60.5%	58.2%	60.6%

The Group delivered results in line with its plans, with its operating surplus of £13.8m (2019: £14.7m) representing a 6.1% fall on the previous year. The key features were:

- Turnover increased by £1.4m, split between an increase in shared ownership sales and rent from new units delivered offsetting the 1% rent cut on existing homes.
- The surplus generated from disposals fell by £1.0m due to a lower number of disposals.

- The raising of £75m of deferred funding with Barings. £15m of which was drawn on completion of the transaction with the balance of £60m to be drawn at different times until 31 March 2022.
- Increased investment and compliance costs in existing properties raising repairs costs by £500k.

The principal accounting policies are shown on pages 31 - 37.

During the year we invested £2.7m in capitalised major repairs to our existing homes and a further £38m in developing new homes. The amount invested in new homes was higher than anticipated due to an increase in delivery from developers.

Treasury management

The Group's treasury management is designed to ensure that there is sufficient liquidity to meet committed requirements for at least the next 18 months. It also manages and mitigates the impact from adverse movements in interest rates while minimising borrowing costs. The value for money of borrowing new funds is assessed against both the social and financial returns from new investment, and the efficiency of using assets as loan security. The Board makes investment and other decisions in line with requirements and conditions set out in the loan agreements. The Board would not make a decision that would place at risk our compliance with financial covenants contained in those agreements.

At the year-end Cottsway had finance available, which is sufficient to support committed development.

The weighted average cost of capital as at 31 March 2020 was 4.6%. As at 31 March 2020, of the £217m drawn, £15m was at a variable rate linked to LIBOR and £202m was at fixed rates of varying lengths and at rates of between 3.0% and 6.3%. These loans have maturity dates ranging from 2022 to 2055. The weighted average cost of capital as at 31 March 2019 was 5.0%.

Cottsway has sufficient security pledged against all the facilities to enable them all to be fully drawn. As at 31 March 2020, Cottsway had £364.6m (2019: £341.2m) of assets charged at a combination of EUV-SH and MV-T (market value subject to tenancies) to existing lenders. In addition to the assets allocated to lenders, a further £66.9m is in charge but currently not allocated. A further charging exercise is underway which should make around an extra £21m of security available.

As at 31 March 2020, the Group cash balance was £11.5m (2019: £12.3m). Under the Rules of the Group, derivative transactions can only be transacted within the existing lenders and within the terms of the loan agreement. In addition, there were undrawn facilities available of £40m.

The Group operates a prudent counterparty risk policy in relation to funds on deposit with limits set in terms of total value and percentage of overall deposits.

Cottsway has a mixture of financial and non-financial covenants which the Board monitors quarterly. Cottsway remained compliant against all covenants in the year.

The Group borrows, invests and transacts in sterling and does not have any currency risk.

Future Performance and Risk Management

The Board is committed to improving financial performance over the longer term by delivering value from all our resources and assets. This continual improvement, in conjunction with maintaining a prudent approach to risk management, will enable Cottsway to continue to invest in new and existing homes, whilst continually improving the quality and range of services that the Group provides.

The focus of the business remains the delivery of services while ensuring value for money. The Group's future plans include:

- Continuing to invest in the development programme to maximise the use of our balance sheet strength subject to loan covenants. This will involve securing opportunities to enable us to invest an average of £30m in new homes each year over the next 10 years.
- Implementing modern systems to enhance the service offered to our customers and enable further mobile working for staff.
- Continuing to ensure operational efficiency to enable increased growth
- Further partnership working to deliver more homes.

The Group's ambitions are tempered by the risks and uncertainty faced, which are mainly driven by external factors.

The Board considers the following risks to be the most likely to affect our performance and ability to deliver the Group's purpose and strategic objectives.

Risk	Comments and risk mitigation
External Environment	The current Coronavirus pandemic creates significant challenges from both an operational and financial perspective. Firstly, government restrictions and customer nervousness limit our ability to provide a full range of services and gain access to properties. This creates risks both from a potential backlog in repairs but also in ensuring all health and safety compliance work is performed. To mitigate this, we have instigated safe methods of working to protect both staff and customers and are carrying out non-intrusive repairs and compliance checks. There will still be a backlog however using our in-house repairs team means we will be able to prioritise accordingly. The Coronavirus could also impact on our customers' ability to pay their rent or purchase new shared ownership properties. To ensure the business has sufficient liquidity to manage this the Board have tested the financial position using very severe assumptions.
Housing Market	Potential volatility in the housing market creates two main risks for the organisation. Firstly, any reduction in sales values could reduce the amount of receipts from shared ownership properties. To mitigate this risk, we have increased facilities and have sufficient spare capacity to absorb this decrease and any slowdown in sales rate. Secondly, any downturn in the overall market could impact on the delivery of new homes and reduce future opportunities as a large proportion of our programme is provided by Section 106 affordable units from developers. To reduce this risk, we are looking at developing our own sites which can be a challenge as land prices in our core areas of operation remain high.

The Board keeps the risk appetite of the Group under review in the context of these and other strategic risks, alongside how the business can meet its core purpose and strategic objectives while also fulfilling its co-regulatory responsibilities.

Value for Money Report 2019/20

Our approach

We aim to achieve better value for money in everything we do by providing efficient services for people living in our existing homes and releasing financial capacity to build more affordable housing for new customers.

Our value for money approach was most recently reviewed at Cottsway's Board meeting in April 2020 and we continue to regularly review and scrutinise our strategy. The Coronavirus pandemic started in March as we approached 2019-20 year-end. Much of our work and the measures in this report were pre-pandemic, but we have referenced any impact experienced.

Triple focus

Our Board has defined our approach to value for money as:

"Working efficiently and effectively in everything we do, we will maximise the return on our assets and maintain or improve customer satisfaction."

These three strands ensure that there is a strong focus throughout the business:

1. Strategic oversight

The Board evaluates our performance against our measures. This is a key part of our commitment to co-regulation with our customers and Regulator. The Board rigorously evaluates all opportunities to grow or change our services by testing whether they meet at least two of three requirements: improving customer satisfaction, increasing surpluses, or delivering new homes.

2. Operational focus

We have our own behavioural framework 'We are Cottsway' and use this to ensure our staff work towards a consistent culture and approach to all aspects of our work, including value for money which is embedded in everything we do.

3. Measurable delivery

We use a range of measures to capture hard evidence about our business performance. We use the scorecard devised by the social housing sector as a way of benchmarking efficiency along with reporting requirements from the Regulator, which are shown in this report in green. We also compare ourselves with similar providers and add additional measures as required.

Our performance

Test 1: How healthy is our business?

The first three measures show how well we make surpluses every year by being efficient in our day-to-day activities, as well as how much cash we can generate. The fourth measure shows operating cash generated after deducting capitalised repairs, with the percentage indicating how much headroom we have to meet interest payments on outstanding debt, in line with the Regulator's value for money code.

Our overall margin has fallen slightly due to planned lower property disposals and shared ownership sales exceeding targets, which is a positive trend, which contributes to a lower margin. Our interest cover is slightly above target due to a reduction in housing cost per unit, compared to target.

Measure 1: Operating margin overall

2020 actual	2020 target	2019	2018
38.30%	39.16%	40.00%	43.79%

Measure 2: Operating margin (social housing lettings only)

2020 actual	2020 target	2019	2018
38.56%	39.49%	42.19%	46.78%

Measure 3: Increase/decrease in overall operating margin

2020 actual	2020 target	2019	2018
-1.70%	-0.84%	-3.79%	2.22%

Measure 4: EBITA MRI (as a percentage of interest)

2020 actual	2020 target	2019	2018
162.19%	154.61%	171.07%	172.76%

Test 2: How many more homes can we build?

We delivered 186 affordable homes in 2019-20, an increase of 28% over the previous year and 6% ahead of target. We exceeded our re-investment in new homes due to faster delivery of homes from our developer partners.

These figures show we are determined to maximise the number of new affordable homes we build to tackle the shortage of supply in our area. Our gearing illustrates that we are continuing to borrow against existing assets to invest in new homes.

We are working with local partners and stakeholders and we are actively looking for additional opportunities to increase investment to support delivery of new homes.

Measure 5: Homes developed

2020 actual	2020 target	2019	2018
186	175	145	137

Measure 6: New supply delivered (social housing %)

2020 actual	2020 target	2019	2018
3.70%	3.60%	3.00%	2.90%

These figures are based on year-end stockholding numbers and show an increased growth as our development plans come to fruition and was ahead of target due to early hand over of homes from developers. At year end we have 20 unreserved shared ownership homes, this number has grown due to the timing of handovers and the lock down caused by Coronavirus.

Measure 7: Reinvestment %

2020 actual	2020 target	2019	2018
12.02%	10.67%	7.14%	8.40%

Measure 8: Gearing

2020 actual	2020 target	2019	2018
60.50%	61.76%	58.17%	57.64%

Test 3: What difference do we make to people?

We deliberately operate within a manageable and cost-effective distance of our Witney office to help us deliver the best quality, value-for-money homes and services.

Customer satisfaction remains high with 89% of our customers happy with what we provide in return for the rent they pay, 2% above target. We have introduced two new customer satisfaction measures: the first on repairs transactions as we believe the service we provide greatly influences how our customers view Cottsway overall; the second is a net promoter score which demonstrates a customer’s willingness to recommend the organisation.

The final two show how we are investing our own money in new homes and other local priorities. Our investment in new homes has risen significantly, but not grown at the level we wish due to delays in the start on land-led sites. We aim to increase this investment.

Measure 9: Customer satisfaction with value for money

2020 actual	2020 target	2019	2018
89%	87%	88%	87%

Measure 10: Customer Satisfaction with Repairs

2020 actual	2020 target	2019	2018
89%	89%	89%	88%

Measure 11: Net Promoter Score

2020 actual	2020 target	2019	2018
37	35	35	31

Measure 12: Investment in new housing for every £1 generated from operations

2020 actual	2020 target	2019	2018
1.98	2.44	1.03	1.37

Measure 13: Investment in communities for every £1 generated from operations

2020 actual	2020 target	2019	2018
0.04	0.05	0.04	0.04

Test 4: How well do we manage our assets?

Using our capital means we can maximise the surplus we can make to reinvest. Return on capital is ahead of target and will fluctuate over time as our development programme grows because the return on new homes is initially lower than for existing ones.

The second measure shows that our occupancy levels remain high as we continue to focus on ensuring empty homes are made available for new customers as quickly as possible, giving someone a place to live more speedily and reducing lost rent. The third relates to our programme of works to ensure we use our resources effectively to maintain and improve existing homes.

Any poor-quality homes, or ones that gave an inadequate financial return, are subject to a rigorous options appraisal, resulting in nine homes being sold during 2019-20. Along with proceeds from other sales, this generated a surplus of £0.6 million for reinvesting in new homes and local services.

Measure 14: Return on capital employed

2020 actual	2020 target	2019	2018
3.79%	3.49%	4.49%	5.18%

Measure 15: Occupancy

2020 actual	2020 target	2019	2018
99.30%	99.90%	99.30%	99.55%

Measure 16: Ratio of responsive repairs to planned maintenance spend

2020 actual	2020 target	2019	2018
0.330	0.329	0.332	0.367

Test 5: How efficient are we?

The first measure indicates how much we spend on each home we own - for example, on repairs and maintenance, management and service charges - and is an overall indicator of Cottsway's efficiency. The headline cost reduced mainly because of increased efficiency due to the rise in new homes, while at the same time maintaining decent homes standards.

The second measure shows how effective our systems are in collecting all rent owed showing cash collected versus current tenant rents, while the third is the proportion of turnover required to cover our running costs. We are introducing a measure showing how our standard repairs service costs against sector benchmarks as we use this as part of our value for money reviews on efficiency.

Measure 17: Headline social housing cost £ per home

2020 actual	2020 target	2019	2018
£2,692	£2,957	£2,756	£2,439

Measure 18: Rent collected

2020 actual	2020 target	2019	2018
100.55%	99.9%	100.89%	99.42%

Measure 19: Overheads as a percentage of adjusted turnover

2020 actual	2020 target	2019	2018
10.4%	10.5%	11.0%	10.9%

Measure 20: Cost of standard repairs versus ARK* benchmark

2020 actual	2020 target	2019
95%	95%	91%

*Independent specialist advisors

Test 6: How do we compare?

Cottsway compares itself with a peer group made up of Registered Providers who are large scale voluntary transfer organisations with between 3,000 and 7,000 homes operating within London, the South East and South West. This closely matches our operational area from a cost basis and therefore provides good indicators on performance.

Benchmarking ourselves in this way enables us to review our performance and target areas for improvement. We focus on those aspects that relate to how we deliver services and new homes.

Our performance is mostly well above the average and either close to or in the top quarter in terms of operational performance. Our interest cover and return on capital are lower as we are developing more homes, which initially reduces returns.

It should be noted that the comparison results are based on 2018/19 as the information for 2019/20 is not yet available. These do not have the impact of the final year of rent reduction included and we believe more of our performance will be in the top quarter once these are published.

Headline social housing cost £ per home

2020 actual	Upper Quartile	Median	Lower Quartile
£2,692	£3,095	£3,421	£4,108

Operating margin overall

2020 actual	Upper Quartile	Median	Lower Quartile
38.30%	39.20%	33.20%	27.80%

Operating margin (social housing lettings only)

2020 actual	Upper Quartile	Median	Lower Quartile
38.56%	40.45%	35.90%	29.87%

EBITDA MRI (as a percentage of interest)

2020 actual	Upper Quartile	Median	Lower Quartile
162.19%	220.30%	194.10%	174.15%

New supply delivered (social housing %)

2020 actual	Upper Quartile	Median	Lower Quartile
3.70%	2.84%	2.12%	1.05%

Return on capital employed

2020 actual	Upper Quartile	Median	Lower Quartile
3.78%	5.43%	4.50%	3.42%

Overheads as a percentage of adjusted turnover

2020 actual	Upper Quartile	Median	Lower Quartile
10.40%	10.26%	12.59%	14.59%

Our priorities for 2020-21

We entered the new financial year responding to the Coronavirus pandemic and the new challenges this brings. At the time of writing (June 2020) our offices are closed and other than our trade operatives, our staff are working remotely in line with government guidance.

Our prior work to enable agile working has meant that we have been in an excellent position to react. Following the initial lockdown, we have re-started most services and we are working to get fully back to business as usual. We are carrying out emergency repairs and many routine repairs, all health and safety compliance and repairing and reletting vacant homes. All of our development sites are now active again and we will have new homes completing this year.

Our business is resilient to the current situation with funding facilities and ample liquidity in place.

We continue our digital journey, with our new website launched in spring 2020 and during the year we will implement our new IT systems as we progress with work to enable customers to self-serve online for more of our services.

Given the remaining uncertainty about the impact of the pandemic, our Board has not set specific value for money targets for 2020-21, but we continue to monitor performance closely and will publish the results for the year in 2021.

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 has elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

In preparing these financial statements, the 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; and
- assess the Group and 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 Group or the Association or to cease operations or has no realistic alternative but to do so.

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

Risk management

The principal risks and uncertainties and how they are mitigated are outlined on page 11.

Risks are scored on a matrix of impact and probability, with reporting escalating increasingly critical risks through the management structure and through to the Board. Strategic risks are compiled with reference to operational risk registers, but also with an independent scrutiny and risk identification approach from the Executive and Board. The Chief Executive is the Chief Risk Officer. Risks are reported to the Audit and Risk Committee and to the Board.

Internal controls

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1 April 2019 up to the date of approval of the Board report and financial statements.

Key elements of the control framework include:

- Board-approved terms of reference and delegated authorities for committees, together with standing orders and financial regulations;
- Board oversight of subsidiary company activities;
- Clearly defined management responsibilities for identifying, evaluating and controlling significant risks, based on a comprehensive corporate risk map which is reviewed regularly;
- A clear strategic planning process, based on consultation with stakeholders and supported by a 30-year business plan with detailed financial budgets and forecasts;
- Formal recruitment, training and appraisal/development policies for all staff and Board members;
- Established authorisation and appraisal procedures for all significant new initiatives and commitments, which consider any material risk and control implications;
- Clear treasury management and procedures, subject to external and Board review annually;
- An independent internal audit function which reports regularly to members on control issues;
- Regular reporting to the Board on key strategic and performance objectives, targets and outcomes; and
- Board-approved whistle-blowing and anti-fraud policies, to support a shared commitment within the Group to working strictly within this control framework, executed to the highest standards of integrity.

A fraud register is maintained, and a report is given at each meeting of the Audit and Risk Committee on any instances of detected fraud. There were no such instances during the period under review resulting in material financial loss to the Association. The Association has an appointed Money Laundering Reporting Officer as part of compliance with money laundering legislation.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can delegate, and has delegated, authority to the Audit and Risk Committee to regularly review the effectiveness of the system of internal control. The Board receives reports and minutes following each meeting of the Audit and Risk Committee.

The Audit and Risk Committee has received the Chief Executive’s annual review of the effectiveness of the system of internal control for the Association and its subsidiaries, and the annual report of the internal auditor, and has reported its findings to the Board.

In conclusion, The Board has reviewed the effectiveness of the system of internal control and is satisfied that there is sufficient evidence to confirm that robust systems of internal control existed and operated throughout the year, and that those systems were aligned to an ongoing process for management of the significant risks facing the organisation.

Employee involvement

We recognise that the strength of the Group lies in the quality and commitment of its employees, all of whom work towards ensuring we meet our objectives and commitments to tenants in an efficient and effective manner. Employees participate actively in the development of the Group's objectives, both strategic and operational, through the Corporate Leadership Team, team meetings, staff away days, regular briefing sessions and the Group consultative body, Staff Matters.

The Group is committed to ensuring the continued development of all employees. To help achieve this, we have in place a comprehensive appraisal procedure, as well as a detailed induction programme for all new members of staff. This is supported through regular one-to-one meetings for all staff and a Group-wide learning and development plan.

We operate an apprenticeship scheme across the business and currently have three apprentices and engage with the local community, schools and colleges to offer work experience opportunities.

Equality, Diversity and Inclusion

The Group is fully committed to promoting the benefits of equality, diversity,and social inclusion/cohesion and ensuring this principle underpins our work. This is overseen by our Equality and Diversity Group, which provides a point of focus for driving forward and promoting this important aspect of our work.

Going concern

The financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons.

Cottsway Housing prepares a new 30-year business plan each year. In involves the modelling of a variety of downside scenarios, along with stress testing. Following the outbreak of Covid 19, the Board agreed an interim budget and business plan, based on a severe but plausible downside scenario.

The Board, after reviewing the Group and Association budgets and plans until March 2022 and the Group's medium term financial position as detailed in the 30-year business plan including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue in business for the foreseeable future. In order to reach this conclusion, the Board have considered:

- The property market – We have assumed that no shared ownership sales will arise until 2021 due to the lock down and reviewed the impact if no sales arose.
- Property repair costs – We have considered the impact of a 6-9-month delay in major repair costs, including the cost of retaining non-productive staff during lockdown.
- Development costs – We have assumed a 6-month delay on development activity with work only restarting in September 2020, impacting on the delivery of new homes. The level of committed expenditure is shown in note 27.
- Rent and service charge receivable – We have based our modelling on a fall in collection rates to 80% of rent due between the period April 2020 to September 2020 along with only 90% being collected in December. This was deemed sufficient when making allowances for the level of rent protection achieved from Housing Benefit.
- Property voids – A 3% incremental void rent loss above standard void rates has been assumed between April 2020 and September 2020 with no properties being re-let in

this period. It was assumed contractors would have to be used with an increased cost to catch up on void repairs across October- December.

- Liquidity – As at the end of March, £11.5m in cash was held at the bank, with a further £40m available in Revolving Credit Facilities, £60m in an undrawn private placement, and a £7.8m loan facility with West Oxfordshire District Council. This provides significant headroom over the £69m of committed development expenditure. In addition to the facilities in place we expect to have net operating cash inflows after interest of £14.2m over the next two years.
- Our Plans have been prepared on the basis that we will not be relying on the government schemes and support packages available in relation to Covid-19.
- Impact on the supply chain – Key supplier failures had been considered by the Audit and Risk Committee during the Spring. We do not foresee any significant disruptions to our key supply chains. There may be some delay to the delivery of new homes however from a cash perspective any loss in rental would be offset by reduced development expenditure.
- As the vast majority of our debt is at fixed rates including future funding we have not made any adjustment to interest costs.

The Board believe the Group and Association have sufficient funding in place and expect the Group and Association to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Statement of compliance

In preparing this strategic report, the Board has followed the principles set out in the 2018 Statement of Recommended Practice (SORP): Accounting for registered social housing providers.

The Board is pleased to report that the Association complies in full with the requirements of the NHF 2015 Code of Governance.

In preparing this report, a review of Group governance procedures has been undertaken and the Board is satisfied that Cottsway Housing Association is compliant with the Governance and Financial Viability Standard as set out by the Regulator of Social Housing.

Disclosure of information to auditors

All current Board members have taken all the steps they ought to have taken to ensure that they are aware of any information needed by the Group and Association's Auditor for its audit, and to establish that the auditors are aware of that information. The Board members are not aware of any relevant audit information of which the auditors are not aware.

By order of the Board

Andrew Hall

Chair

4 August 2020

Independent auditor's report to Cottsway Housing Association

Opinion

We have audited the financial statements of Cottsway Housing Association ("the Association") for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Movement in Reserves, the Statement of Financial Position, the Statement of Cash Flows 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 Group and the Association as at 31 March 2020 and of the income and expenditure of the Group and the Association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly 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 Group and 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.

Going concern

The Association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Association or to cease their operations, and as they have concluded that the Group and the Association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the group and Association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the Association will continue in operation.

Other information

The Association's Board is responsible for the other information, which comprises the Chair's Statement, the Strategic Report of the Board and the Value for Money Summary. 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 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 more fully explained in their statement set out on page 19, 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 group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or 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.

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 as a body, for our audit work, for this report, or for the opinions we have formed.

C. J. Griffiths

Caroline Griffiths

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Gateway House

Tollgate

Chandlers Ford

SO53 3TG

19 August 2020

Consolidated Statement of Comprehensive Income

	Note	2020 £'000	2019 £'000
Turnover	3	34,258	32,819
Operating Expenditure	3	(21,138)	(19,692)
Surplus on disposal of property, plant and equipment	7	642	1,610
Operating Surplus	3,6	**13,762**	**14,737**
Interest receivable	8	64	60
Interest payable and financing costs	9	(9,319)	(8,845)
Surplus on ordinary activities before taxation		**4,507**	**5,952**
Tax on surplus on ordinary activities	12	-	(20)
Surplus for the year		**4,507**	**5,932**
Actuarial (deficit)/surplus in respect of pension schemes		2,838	(1,109)
Re-measurement of SHPS obligation		-	(174)
Total comprehensive income for the year		**7,345**	**4,649**

The financial statements were approved by the Board on 4 August 2020.

The consolidated results relate wholly to continuing activities. The accompanying notes form part of these financial statements.

Andrew Hall	Vivian Rosser	Nicola Avian
Chair	Chief Executive	Secretary

Association Statement of Comprehensive Income

	Note	2020 £'000	2019 £'000 (Note 34)
Turnover	3	38,475	32,819
Operating expenditure	3	(25,759)	(19,692)
Surplus on disposal of property, plant and equipment	7	642	1,610
Operating Surplus	3,6	**13,358**	**14,737**
Interest receivable	8	64	60
Interest and financing costs	9	(9,305)	(8,845)
Surplus on ordinary activities before taxation		**4,117**	**5,952**
Tax on surplus on ordinary activities	12	-	(20)
Surplus for the year		**4,117**	**5,932**
Actuarial (deficit)/surplus in respect of pension schemes		2,841	(1,109)
Re-measurement of SHPS obligation		-	(174)
Total comprehensive income for the year		**6,958**	**4,649**

The financial statements were approved by the Board on 4 August 2020.

The Association's results relate wholly to continuing activities. The accompanying notes form part of these financial statements.

Andrew Hall	Vivian Rosser	Nicola Avian
Chair	Chief Executive	Secretary

Statement of Movement in Reserves

Group

	I&E Reserve £'000's	Restricted Reserve £'000's	Revaluation Reserve £'000's	Total £'000's
Balance as at 1 April 2019	**57,480**	**2,750**	**66,780**	**127,010**
Surplus/deficit for the year	4,507	-	-	4,507
Other Comprehensive Income for the year	2,841	-	-	2,841
Transfer from Revaluation reserve to Income and Expenditure Reserves	952	-	(952)	-
Transfer (from)/to revenue reserve	2,527	(2,527)	-	-
Balance at 31 March 2020	**68,307**	**223**	**65,828**	**134,358**

Association

	I&E Reserve £'000's	Restricted Reserve £'000's	Revaluation Reserve £'000's	Total £'000's
Balance as at 1 April 2019	**57,480**	**2,750**	**66,780**	**127,010**
Surplus/deficit for the year	4,117	-	-	4,117
Other Comprehensive Income for the year	2,841	-	-	2,838
Transfer from Revaluation reserve to Income and Expenditure Reserves	952	-	(952)	-
Transfer (from)/to revenue reserve	2,527	(2,527)	-	-
Balance at 31 March 2020	**67,917**	**223**	**65,828**	**133,968**

Statement of Financial Position

	Note	Group 2020 £'000's	Association 2020 £'000's	Group 2019 £'000's	Association 2019 £'000's
Fixed assets					
Tangible fixed assets – Housing	13	348,651	344,147	315,444	315,444
Tangible fixed assets - Other	14	4,644	4,644	4,228	4,228
Investment in Subsidiaries	15	30	42	30	42
		353,325	**348,833**	**319,702**	**319,714**
Current assets					
Properties held for sale	16	3,661	3,507	1,727	1,727
Trade and other debtors	17	2,960	6,199	1,943	1,943
Inventory	17	152	152	137	137
Cash and cash equivalents		11,543	10,587	12,297	12,297
		18,316	**20,445**	**16,104**	**16,104**
Creditors					
Amounts due within one year	18	(8,824)	(8,849)	(7,493)	(7,505)
Net current assets		**9,492**	**11,596**	**8,611**	**8,599**
Total assets less current liabilities		**362,817**	**360,429**	**328,313**	**328,313**
Creditors Amounts Falling Due after one year	19/20/21	(225,757)	(223,759)	(195,790)	(195,790)
Provisions for liabilities					
Pension provision	24	(2,702)	(2,702)	(5,444)	(5,444)
Other provision	22	-	-	(69)	(69)
Total net assets		**134,358**	**133,968**	**127,010**	**127,010**
Reserves					
Income and expenditure reserve		68,307	67,917	57,480	57,480
Revaluation reserve		65,828	65,828	66,780	66,780
Restricted reserve		223	223	2,750	2,750
Total reserves		**134,358**	**133,968**	**127,010**	**127,010**

The accompanying notes form part of these financial statements. The financial statements were approved by the Board on 3 August 2020.

Andrew Hall	Vivian Rosser	Nicola Avian
Chair	Chief Executive	Secretary

Consolidated Statement of Cash Flows

	2020	2019
	£'000	£'000
Surplus on Operating Activities	**13,762**	**14,737**
Surplus on the disposal of properties	(642)	(1,610)
Depreciation of housing properties	5,631	5,332
Depreciation of other fixed assets	261	231
Pensions operating charge	(34)	264
Adjustment for non-cash items	-	(168)
Working capital movements		
Properties for sale	(1,934)	205
Debtors	(1,081)	(329)
Inventory	(15)	(13)
Creditors	6,620	968
Provisions	(1,938)	1
Movement in RCGF	-	(22)
Net cash generated from operating activities	**20,630**	**19,596**
Cash flow from investing activities		
Purchase of housing properties	(40,868)	(22,359)
Proceeds from sales of housing properties	1,333	3,337
Social housing grant – received	1,860	369
Purchase of other fixed assets	(677)	(682)
Interest received	59	63
Taxation	-	(15)
	(38,293)	**(19,287)**
Cash flow from financing activities		
Interest paid (including other finance costs)	(10,089)	(9,703)
New secured loans	38,006	15,000
Repayment of borrowings	(11,008)	(379)
Withdrawal from deposits	-	-
	16,909	**4,918**
Net Change in cash and cash equivalents	**(754)**	**5,227**
Cash and cash equivalents at beginning of the year	12,297	7,070
Cash and cash equivalents at end of the year	**11,543**	**12,297**

The accompanying notes form part of these financial statements.

Notes to the financial statements - 31 March 2020

1. Legal Status

The Association is a Co-operative and Community Benefit Society and a registered housing provider. It currently has three subsidiaries, two of which are dormant. Cottsway 2 is consolidated within this set of accounts.

The financial statements are presented in thousands of pounds Sterling (£'000).

The **individual** accounts of the Association have also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes
- financial instrument disclosures, including:
  - categories of financial instruments,
  - items of income, expenses, gains or losses relating to financial instruments, and exposure to and management of financial risks, and
  - the requirement to disclose transactions and balances with related parties which form part of the group.

2. Accounting Policies

Basis of accounting

The financial statements of the group and Association are prepared in accordance with Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. Cottsway Housing is a public benefit entity.

Going concern

The financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons.

Cottsway Housing prepares a new 30-year business plan each year. In involves the modelling of a variety of downside scenarios, along with stress testing. Following the outbreak of Covid 19, the Board agreed an interim budget and business plan, based on a severe but plausible downside scenario.

The Board, after reviewing the Group and Association budgets and plans until March 2022 and the Group's medium term financial position as detailed in the 30-year business plan including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue in business for the foreseeable future. In order to reach this conclusion, the Board have considered:

- The property market – We have assumed that no shared ownership sales will arise until 2021 due to the lock down and reviewed the impact if no sales arose.
- Property repair costs – We have considered the impact of a 6-9-month delay in major repair costs, including the cost of retaining non-productive staff during lockdown.

- Development costs – We have assumed a 6-month delay on development activity with work only restarting in September 2020, impacting on the delivery of new homes. The level of committed expenditure is shown in note 27.

- Rent and service charge receivable – We have based our modelling on a fall in collection rates to 80% of rent due between the period April 2020 to September 2020 along with only 90% being collected in December. This was deemed sufficient when making allowances for the level of rent protection achieved from Housing Benefit.

- Property voids – A 3% incremental void rent loss above standard void rates has been assumed between April 2020 and September 2020 with no properties being re-let in this period. It was assumed contractors would have to be used with an increased cost to catch up on void repairs across October- December.

- Liquidity – As at the end of March, £11.5m in cash was held at the bank, with a further £40m available in Revolving Credit Facilities, £60m in an undrawn private placement, and a £7.8m loan facility with West Oxfordshire District Council. This provides significant headroom over the £69m of committed development expenditure. In addition to the facilities in place we expect to have net operating cash inflows after interest of £14.2m over the next two years.

- Our Plans have been prepared on the basis that we will not be relying on the government schemes and support packages available in relation to Covid-19.

- Impact on the supply chain – Key supplier failures had been considered by the Audit and Risk Committee during the Spring. We do not foresee any significant disruptions to our key supply chains. There may be some delay to the delivery of new homes however from a cash perspective any loss in rental would be offset by reduced development expenditure.

- As the vast majority of our debt is at fixed rates including future funding we have not made any adjustment to interest costs.

The Board believe the Group and Association have sufficient funding in place and expect the Group and Association to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Significant judgements:

Capitalisation of property development costs

Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. For each scheme the capitalisation cost includes acquisition, build costs and associated fees with delivering the scheme, plus directly attributable costs and an apportionment of non-direct staff resources and interest attributed to the cost of the scheme in line with average borrowing as specified in Note 9. After capitalisation management monitors the asset and considers whether changes indicate that impairment is required.

Significant estimates:

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

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected use of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the use of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2020 was £28.6m

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on several critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 24). The liability of the Local Government Pension Scheme and Social Housing Pension scheme combined at 31 March 2020 was £2.7m.

Basis of consolidation

The Group's accounts consolidate the accounts of the Association and its subsidiary, Cottsway 2. Cottsway 2 began trading in July 2019.

Turnover

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year, revenue grants receivable in the year and amortisation of capital grants received.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from first tranche sales and sales of other properties is recognised at the point of legal completion of the sale. Revenue grants are receivable when the conditions for receipt of the agreed grant funding have been met.

Turnover also includes income from feed in tariff and renewable heat incentive. Income is accounted for on an accruals basis and represents the feed in tariff and renewable heat generated over the accounting period.

Amortisation of Grant

Social Housing Grant received for building new homes is amortised once the grant conditions have been met with this amount included as part of turnover.

Taxation

Any charge for taxation is based on surpluses arising on those activities which are liable to tax.

Value added tax (VAT)

The Group charges VAT on some of its income and can recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by group bodies and not recoverable from HM Revenue & Customs. The balance of VAT payable or recoverable at the period end is included as a current liability or asset.

Interest payable

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

Interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or

Interest on borrowings of the Association, after deduction of interest on SHG in advance, to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the period.

Financial instruments

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

Pensions

The Association participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Oxfordshire County Council Pension Fund (OCCPF) and one defined contribution scheme, also managed by SHPS. The OCCPF fund has been closed to further accrual as at 31 March 2017.

The SHPS Defined Benefit Scheme has this year provided the appropriate information to be able to comply with FRS17 and this has been incorporated into this year’s statements, based on an actuarial valuation. The reversal of the provision and the initial recognition of the liability has been shown as a re-measurement within other comprehensive income.

For the OCCPF, scheme assets are measured at fair values. Schemes are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the Group.

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

Housing Properties

Housing properties are principally those available for rent.

Completed housing and shared ownership properties are stated at cost less accumulated depreciation and impairment.

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

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

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

Social Housing Grant (SHG)

Government grants received on housing properties from 1 April 2014 are recognised in income over the useful life of housing property structure and, where applicable, its individual components excluding land under the accruals model. The table below details the allocation and amortisation period for grant allocated to each component.

Component	Percentage	Years
Structure	85%	125
Roofs	3%	60
Heating	4%	30
Boiler	1%	15
Windows	2%	30
Electrical	2%	30
Bathrooms	1%	30
Kitchens	1%	20
External Doors	1%	25

In accordance with the deemed cost transition provisions of FRS 102, the government grant received before 31 March 2014 has been accounted for using the performance model and taken to the income and expenditure reserve.

Grant due from Homes England or received in advance is included as a current asset or liability. Grant received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with Homes England. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in Creditors falling due after more than one year.

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

Other grants

Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

Depreciation of housing properties

The Group separately identifies the major components which comprise its housing properties, and charges depreciation, to write down the cost of each component to its estimated residual value. This is on a straight-line basis, over its estimated economic useful life.

Freehold land is not depreciated. Structure is depreciated according to the age of the property as set out in the table below. The Group depreciates the other major components of its housing properties based on the following estimated economic useful lives, or the age of the structure if lower:

Structure	**Years**
Non-traditional	25
Pre-1960	75
1961-1980	100
Post-1980	125
Other components	
Roofs	60
Heating	30
Boiler	15
Windows	30
Electrical	30
Bathrooms	30
Kitchens	20
Lifts	10
External Doors	25
PV Cells	25
Renewable heating	25
Cloakrooms	30

Impairment

Properties that are depreciated over a period of 50 years or more are subject to impairment reviews where an impairment event has occurred. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write-down is charged to operating surplus.

Other fixed assets

Other tangible fixed assets are stated at cost, less accumulated depreciation.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold property	2.5%
Office furniture and equipment	At various rates from 10-20%
Computer equipment	33 1/3 %
Scheme equipment	20%

Bad and doubtful debts

The Group provides against rent arrears of current and former tenants and other miscellaneous debts to the extent that they are considered to be irrecoverable.

Inventory

Stock held in the stores is valued at the lower of cost or net realisable value.

Operating lease rentals

Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Properties for sale

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

Sales under Right to Buy legislation

Surpluses or deficits arising from the disposal of properties under Right to Buy legislation are disclosed on the face of the income and expenditure account. The surpluses or deficits disclosed are net of any sums payable to West Oxfordshire District Council under the terms of a claw back agreement ending on 31 March 2031.

Reserves

The Group establishes restricted reserves for specific purposes where their use is subject to external factors and designated reserves where reserves are earmarked for a specific purpose by the Board. Further details are provided in note 32.

Revaluation Reserve

The difference on transition between the fair value of social housing properties and historical cost carrying value is credited to the revaluation reserve using the deemed cost transition provision rule.

3. Particulars of Turnover, Cost of Sales, Operating Costs and Operating Surplus

Group – continuing activities

	Note	Turnover	Operating Costs	Operating Surplus
Year ended 31 March 2020		**£'000**	**£'000**	**£'000**
Social Housing lettings	4	27,552	16,928	10,624
Other social housing activities				
First tranche shared ownership sales		4,975	3,646	1,329
Management services		-	-	-
Other		1,731	564	1,167
		6,706	4,210	2,496
Surplus from the disposal from Properties				642
		34,258	**21,138**	**13,762**

	Note	Turnover	Operating Costs	Operating Surplus
Year ended 31 March 2019		**£'000**	**£'000**	**£'000**
Social Housing lettings	4	27,133	15,686	11,447
Other social housing activities				
First tranche shared ownership sales		4,608	3,417	1,191
Management services		12	12	-
Other		1,066	577	489
		5,686	4,006	1,680
Surplus from the disposal from Properties				1,610
		32,819	**19,692**	**14,737**

Association – continuing activities

	Note	Turnover	Operating Costs	Operating Surplus
Year ended 31 March 2020		**£'000**	**£'000**	**£'000**
Social Housing lettings	4	27,499	16,896	10,603
Other social housing activities				
First tranche shared ownership sales		3,911	2,965	946
Management services		-	-	-
Other		1,731	564	1,167
Sales made to group undertakings		5,334	5,334	-
		10,976	8,863	2,113
Surplus from the disposal from Properties				642
		38,475	**25,759**	**13,358**
Year ended 31 March 2019		**£'000**	**£'000**	**£'000**
Social Housing lettings	4	27,133	15,686	11,447
Other social housing activities				
First tranche shared ownership sales		4,608	3,417	1,191
Management services		12	12	-
Other		1,066	577	489
		5,686	4,006	1,680
Surplus from the disposal from Properties				1,610
		32,819	**19,692**	**14,737**

4. Particulars of income and expenditure from social housing lettings

Group

	General Needs Housing	Shared Ownership	2020 Total	2019 Total
	£'000	£'000	£'000	£'000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	25,606	1,086	26,692	26,440
Service charge income	654	188	842	666
Amortised Government Grants	18	-	18	27
Turnover from social housing lettings	**26,278**	**1,274**	**27,552**	**27,133**
Expenditure on social housing lettings				
Management	5,097	235	5,332	4,933
Service charge costs	837	241	1,078	1,035
Routine maintenance	1,808	-	1,808	1,674
Planned maintenance	2,058	-	2,058	1,980
Major repairs expenditure	731	-	731	618
Bad debts	291	-	291	114
Depreciation of housing properties	5,631	-	5,631	5,332
Other Costs	-	-	-	-
Operating costs on social housing lettings	**16,452**	**476**	**16,928**	**15,686**
Operating surplus on social housing lettings	**9,826**	**798**	**10,624**	**11,447**
Void losses	237	-	237	186

Association

	General Needs Housing	Shared Ownership	2020 Total	2019 Total
				£'000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	25,560	1,080	26,640	26,440
Service charge income	653	188	841	666
Amortised Government Grants	18	-	18	27
Turnover from social housing lettings	**26,231**	**1,268**	**27,499**	**27,133**
Expenditure on social housing lettings				
Management	5,096	234	5,330	4,933
Service charge costs	837	241	1,078	1,035
Routine maintenance	1,808	-	1,808	1,674
Planned maintenance	2,058	-	2,058	1,980
Major repairs expenditure	731	-	731	618
Bad debts	291	-	291	114
Depreciation of housing properties	5,600	-	5,600	5,332
Other Costs	-	-	-	-
Operating costs on social housing lettings	**16,421**	**475**	**16,896**	**15,686**
Operating surplus on social housing lettings	**9,810**	**793**	**10,603**	**11,447**
Void losses	225	-	225	186

5. Accommodation in Management and Development

Social Housing	Group 2020 No. of Properties	Association 2020 No. of Properties	Group 2019 No. of Properties	Association 2019 No. of Properties
General Housing				
- Social Rent	3,934	3,934	3,935	3,935
- Affordable Rent	671	653	545	545
Low Cost Home Ownership	388	378	335	335
Other Properties	7	7	8	8
Total owned	5,000	4,972	4,823	4,823
Accommodation managed for others	-	-	-	-
Total managed	**5,000**	**4,972**	**4,823**	**4,823**
Accommodation in development at year end	195	195	324	324

6. Operating Surplus

This is arrived at after charging:	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Depreciation of housing properties	5,631	5,600	5,332	5,332
Depreciation of other tangible fixed assets	261	261	231	231
Operating lease rentals other fixed assets	186	186	124	124
Auditor's remuneration:				
- for audit services	48	37	34	34
- for audit services in respect of prior period		25	-	-
- for non-audit services:				
• tax compliance			8	8
• other advisory	27	27	13	13
Total non-audit services	27	27	21	21

7. Surplus on Sale of Fixed Assets – Housing Properties

Property Sales	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Receipts from Property Sales	1,804	6,339	3,369	3,369
Cost of Properties Sold	(644)	(5,179)	(897)	(897)
Claw Back Payment to WODC on Right to Buy Sales	(471)	(471)	(787)	(787)
Sundry costs of sale	(47)	(47)	(75)	(75)
	642	**642**	**1,610**	**1,610**
(Deficit) on disposal of other fixed assets	-	-	-	-
Surplus on disposal of property, plant and equipment	**642**	**642**	**1,610**	**1,610**
Capital Grant Recycled	-	-	18	18

8. Interest Receivable and Other Income

	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Interest receivable and similar income	64	64	6	6
Income from other investments	-	-	54	54
	64	**64**	**60**	**60**

9. Interest Payable and Financing Costs

	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Loans and bank overdrafts	9,852	9,838	9,229	9,229
Other Financing Costs	175	175	181	181
Interest on Pension Fund liability	130	130	108	108
	10,157	**10,143**	**9,518**	**9,518**
Interest payable capitalised on housing properties under construction	(838)	(838)	(673)	(673)
	9,319	**9,305**	**8,845**	**8,845**

A rate of 5.0% (2018: 5.1%) has been used in calculating the amount of interest capitalised.

10. Employees

Total Employee costs for the year for the Group and Association including Executive Directors:

	2020	2019
Average monthly number of employees expressed in full time equivalents:	No.	No.
Administration	27	32
Development	8	8
Housing, support and care	52	47
Cottsway Repairs	52	50
	139	**137**

Full time equivalent staff numbers are calculated by converting the actual number of hours contracted to a normal working week, being 37 hours for office staff and 42 hours for staff in Cottsway Repairs.

Employee	Office £'000	Cottsway Repairs £'000	2020 £'000	Office £'000	Cottsway Repairs £'000	2019 £'000
Wages and salaries	3,759	1,805	5,564	3,620	1,712	5,332
Social security costs	410	180	590	363	169	532
Pension costs (note 24)	279	138	417	266	115	381
	4,448	**2,123**	**6,571**	**4,249**	**1,996**	**6,245**

10 Employees (Continued)

The full time equivalent number of staff including Executive Directors who received emoluments:

	2020 No.	2019 No.
£60,001 to £70,000	1	2
£70,001 to £80,000	1	4
£80,001 to £90,000	3	0
£90,001 to £100,000	2	2
£100,001 to £110,000	1	-
£110,001 to £120,000	-	-
£120,001 to £130,000	2	2
£150,001 to £160,001	1	1

The Association's employees are members of the Social Housing Pension Scheme (SHPS). Further information on each scheme is given in note 24.

11. Board Members and Executive Directors

Group and Association

The total emoluments and fees received by the Executive Team and Board Members were £457,429 (2019: £448,670). The Executive Team received total emoluments and fees of £411,410 (2019: £400,723). The emoluments of the highest paid director in the year were as follows:

	2020 £'000	2019 £'000
Remuneration	147	142
Pension Contributions – in respect of services as director	11	11
	158	**153**

The Chief Executive and Directors are normal members of Social Housing Pension Scheme. Non-executive Board Members were paid as follows:

Board Member	2020 £'000	2019 £'000
John Brace	-	3
Richard Purchase	6	9
Margaret Dodwell	1	7
Colin Sherriff	5	6
Sharon Whittaker	3	5
Quinton Quayle	5	6
Emma Kenny	5	5
Stephen Good	3	5
Andrew Hall	12	3
Alice Cummings	6	-
Total	**46**	**49**

12. Tax on surplus on ordinary activities

Current tax	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
UK corporation tax on surplus for the year	-	-	20	20
	-	**-**	**20**	**20**

Current tax reconciliation	£'000	£'000	£'000	£'000
Surplus on ordinary activities before tax	**4,507**	**4,117**	**5,952**	**5,952**
Theoretical tax at UK corporation tax rate 19% (2019 19%)	856	782	1,131	1,131
Depreciation of non-qualifying assets	-	-	6	6
Charitable activities not liable to tax	(856)	(782)	(1,117)	(1,117)
Current tax charge	**-**	**-**	**20**	**20**

Corporation Tax is payable by Cottsway Housing Association on trading activities in respect of Feed in Tariff income.

13. Group Fixed Assets - Housing Properties

	Social housing properties held for letting	Housing properties for letting under construction	Completed shared ownership housing properties	Shared ownership housing properties under construction	Total housing properties
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2019	**303,107**	**11,403**	**22,696**	**2,196**	**339,402**
Additions		27,979	229	10,164	38,372
Works to existing properties	2,694	-	-	-	2,694
Interest capitalised	-	602	-	236	838
Units completed	22,758	(22,758)	6,551	(6,551)	-
Disposals/Transfers	(1,241)	-	(489)	(2,353)	(4,083)
At 31 March 2020	**327,318**	**17,226**	**28,987**	**3,692**	**377,223**
Depreciation and Impairment					
At 1 April 2019	**(23,958)**	**-**	**-**	**-**	**(23,958)**
Depreciation charge in year	(5,631)	-	-	-	(5,631)
Impairment Reversal	-	-	-	-	-
Depreciation Released on disposal	1,017				1,017
At 31 March 2020	**(28,572)**	**-**	**-**	**-**	**(28,572)**
Net book value					
At 31 March 2020	**298,746**	**17,226**	**28,987**	**3,692**	**348,651**
At 31 March 2019	279,149	11,403	22,696	2,196	315,444

13 Fixed assets – housing properties (continued)

Association

	Social housing properties held for letting	Housing properties for letting under construction	Completed shared ownership housing properties	Shared ownership housing properties under construction	Total housing properties
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2019	**303,107**	**11,403**	**22,696**	**2,196**	**339,402**
Additions	-	27,979	229	10,164	38,372
Works to existing properties	2,694	-	-	-	2,694
Interest capitalised	-	602	-	236	838
Units completed	22,758	(22,758)	6,551	(6,551)	-
Disposals/Transfers	(4,624)	-	(1,641)	(2,353)	(8,618)
At 31 March 2020	**323,935**	**17,226**	**27,835**	**3,692**	**372,688**
Depreciation and Impairment					
At 1 April 2019	**(23,958)**	**-**	**-**	**-**	**(23,958)**
Depreciation charge in year	(5,600)	-	-	-	(5,600)
Depreciation Released on disposal	1,017	-	-	-	1,017
At 31 March 2020	**(28,541)**	**-**	**-**	**-**	**(28,541)**
Net book value					
At 31 March 2020	**295,394**	**17,226**	**27,835**	**3,692**	**344,147**
At 31 March 2019	279,149	11,403	22,696	2,196	315,444

	Group 2020	Association 2020	Group 2019	Association 2019
Expenditure on works to existing properties	**£'000**	**£'000**	**£'000**	**£'000**
Components capitalised	2,694	2,694	2,441	2,441
Amounts charged to the income and expenditure account	4,597	4,597	4,272	4,272
	7,291	**7,291**	**6,713**	**6,713**

13 Fixed Assets – Housing Properties (continued)

Social housing assistance

	Group	Association	Group	Association
	2020	2020	2019	2019
Total accumulated social housing grant	£’000	£’000	£’000	£’000
Total accumulated capital and revenue SHG received or receivable	33,727	33,727	29,396	29,396

The above figures include £28.4m in grant received before 1 April 2014 that has been recognised in revenue reserves. This would become repayable if a property was disposed of where a grant had been received.

Housing properties at book value

	Group	Association	Group	Association
	2020	2020	2019	2019
	£’000	£’000	£’000	£’000
Freehold land and buildings	348,651	344,147	315,444	315,444
Long leasehold land and buildings	-	-	-	-
Short leasehold land and buildings	-	-	-	-
	348,651	**344,147**	**315,444**	**315,444**

In accordance with the requirements of the Financial Reporting Standard FRS102, impairment is assessed on the basis of cash generating units (CGU). A CGU is considered to be a group of properties in the same area or scheme; properties in each parish district are considered a group for impairment purposes. No triggers for impairment were identified for the year ended 31 March 2020.

14. Tangible fixed assets (Group and Association)

	Freehold offices	Computers and office equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2019	4,706	1,894	6,600
Additions	15	662	677
Disposals	-	(20)	(20)
At 31 March 2020	**4,721**	**2,536**	**7,257**
Depreciation			
At 1 April 2019	(1,556)	(816)	(2,372)
Charged in period	(170)	(91)	(261)
On disposals	5	15	22
At 31 March 2020	**(1,721)**	**(892)**	**(2,613)**
Net book value			
At 31 March 2020	**3,000**	**1,644**	**4,644**
At 31 March 2019	3,150	1,078	4,228

The cost of office equipment includes £944,400 (2019: £454,711) of cost relating to the projects for a new housing system and a customer digital interface. There has been no depreciation recognised on this expenditure as this will commence on completion of the projects.

15. Investments in subsidiaries

Cottsway has 3 subsidiary companies included within the group.

Investments in Subsidiaries	Investment £000's	Registered Office	Status
Cottsway 2 Housing Association	0	Cottsway House, Heynes Place, Avenue Two, Witney OX28 4YG	Active
Cottsway Treasury Group Plc	12	Cottsway House, Heynes Place, Avenue Two, Witney OX28 4YG	Dormant
West Oxfordshire Housing Limited	0	Cottsway House, Heynes Place, Avenue Two, Witney OX28 4YG	Dormant

Cottsway also has a shareholding of £30,000 in MORhomes that has been established by Housing Associations as a borrowing vehicle (2019: £30,000).

16. Properties for sale

	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Completed Properties for Sale	1,739	1,585	498	498
Properties under Construction	1,922	1,922	1,229	1,229
	3,661	**3,507**	**1,727**	**1,727**

17. Debtors and Inventory

	Group 2020	Association 2020	Group 2019	Association 2019
Debtors	**£'000**	**£'000**	**£'000**	**£'000**
Rent and service charges receivable	3,160	3,152	1,394	1,394
Less: Provision for bad and doubtful debts	(799)	(799)	(735)	(735)
	2,361	2,353	659	659
Due from group undertakings	-	3,246	-	-
Other debtors	103	104	29	29
Prepayments and accrued income	496	496	1,255	1,255
	2,960	6,199	1,943	1,943
Due after more than one year	-	-	-	-
	2,960	**6,199**	**1,943**	**1,943**
Included within rent and service charges receivable:				
Rent arrears attributable to housing benefit	240	240	211	211
Inventory				
Inventory	**152**	**152**	**137**	**137**

The inventory value represents building materials held in respect of our in-house repairs and maintenance service.

18. Creditors: amounts falling due within one year

	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Trade creditors	2,968	2,968	1,433	1,433
Rent and service charges received in advance	328	328	333	333
Due to group undertakings	-	25	-	12
Other creditors	390	390	588	588
Other taxation and social security	-	-	21	21
RTB claw back payment	471	471	787	787
Accruals and deferred income	4,617	4,617	4,304	4,304
SHPS	-	-	-	-
Deferred capital grant due within 1 year	50	50	27	27
	8,824	**8,849**	**7,493**	**7,505**

19. Creditors: amounts falling due after more than one year

	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Basic Financial Instruments	218,998	217,000	192,000	192,000
Loan Amortisation	1,482	1,482	1,868	1,868
SHPS	-	-	-	-
SHG Deferred Income	5,277	5,277	1,904	1,904
Recycled Capital Grant Fund	-	-	18	18
At 31 March	**225,757**	**223,759**	**195,790**	**195,790**

20. Deferred Capital Grant

Social Housing Grant	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
At 1 April	1,931	1,931	1,589	1,589
Grants Received in Year	3,414	3,414	369	369
Released to Income in Year	(18)	(18)	(27)	(27)
At 31 March	**5,327**	**5,327**	**1,931**	**1,931**
To be released within 1 Year	**50**	**50**	**27**	**27**
To be released in more than 1 Year	**5,277**	**5,277**	**1,904**	**1,904**

21. Recycled capital grant fund

	Group	Association	Group	Association
	2020	**2020**	**2019**	**2019**
Social Housing	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April	**18**	**18**	**40**	**40**
Grants recycled	-	-	18	18
Interest accrued	-	-	-	-
Withdrawals	(18)	(18)	(40)	(40)
	-	-	18	18
Repayment of Grant	-	-	-	-
At 31 March	**-**	**-**	**18**	**18**
Amount of grant due for repayment	-	-	-	-

22. Other Provisions

The Group has no provisions at the year end.

23. Debt analysis

	Group	Association	Group	Association
Syndicated Housing Loans	**2020**	**2020**	**2019**	**2019**
Debt is repayable as follows:	**£'000**	**£'000**	**£'000**	**£'000**
Between one and two years	25,040	25,000	-	-
Between two and five years	11,812	10,000	25,000	25,000
After five years	185,655	182,000	167,000	167,000
	222,507	**217,000**	**192,000**	**192,000**

At 31 March 2020 the group had undrawn loan facilities of £40m (2019 £50m). The security value of properties secured against these loans is £364.6m.

24. Pensions (Group and Association)

The net liabilities shown within the balance sheet as at the year-end were:

	2020	2019
LGPS	2,515	5,031
SHPS	187	413
	2,702	**5,444**

Oxfordshire County Council Pension Fund (OCC LGPS)

Assumptions

The principal assumptions used by the actuaries in updating the latest valuation of the Fund for FRS102 purposes were:

	2020	2019
	% p.a.	**% p.a.**
Salary increases	1.9	3.8
Pension increases	1.9	2.5
Discount rate	2.3	2.4

24 Pension (Group and Association) Continued

Mortality Assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2020 are based on the PA92 series. The assumed life expectations from age 45 are:

Life Expectancy from Age 45 (years)	2020	2019
	No. of years	No. of years
Current Pensioners – Males	22.2	23.4
Current Pensioners – Females	24.3	25.5
Future Pensioners – Males	22.9	25.6
Future Pensioners – Females	25.6	27.8

Amounts recognised in surplus or deficit

	2020 £’000	2019 £’000
Pension Curtailments	-	198
Amounts (credited) / charged to operating costs	**-**	**198**

	2020 £’000	2019 £’000
Net Interest cost	121	108
Amounts included in finance costs	**121**	**108**

Reconciliation of opening and closing balances of the present value of scheme liabilities

	2020 £’000	2019 £’000
Opening scheme liabilities	26,398	24,142
Interest cost	629	645
Re-measurements	(4,413)	1,867
Benefits paid	(511)	(454)
Past Service Cost, Including Curtailments	-	198
Closing scheme liabilities	**22,103**	**26,398**

Reconciliation of opening and closing balances of the fair value of plan assets

	2020 £’000	2019 £’000
Opening fair value of plan assets	21,367	20,443
Interest income	508	546
Return on plan assets (in excess of interest income)	(1,776)	822
Contributions by employer	-	10
Benefits paid	(511)	(454)
Closing fair value of plan assets	**19,588**	**21,367**
OCC LGPS scheme liabilities	**(2,515)**	**(5,031)**

24 Pensions (Group and Association) Continued

Fund assets and expected rates of return

The approximate split of assets for the Fund as a whole at 31 March 2020 is shown below (only a proportion of these assets are allocated to Cottsway):

	2020	2019
Asset split	**% p.a.**	**% p.a.**
Equities	68	69
Property	22	7
Bonds	7	20
Cash	3	4
	100	**100**

Sensitivity analysis

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

Change in assumptions at 31 March 2020	Approximate % increase to employer's liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	2,094
0.5% increase in the Salary Increase Rate	0%	-
0.5% increase in the Pension Increase Rate	9%	2,092

We have also made the following assumption:

- An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 50% of the maximum tax-free cash for post-April 2008.

The Oxfordshire County Council Pension Fund was closed to further accrual on 31 March 2017 but Cottsway are remaining as an ongoing employer. Cottsway are not required to pay any deficit contributions to the fund from 1 April 2017 until they are next reviewed. Contributions by Cottsway relate to age related payments of past employees.

Currently MHCLG have announced a consultation seeking to change the calculation for the impact of McCloud on the beneficiaries to LGPS. At the time of signing there is likely to be a change to the pension liability following the completion of the consultation. There is currently insufficient information available to base any calculations of the impact on, a reliable estimate cannot therefore be made of the impact; and the timing of the consultation means that any resulting changes will be reflected in the pension liability at 31 March 2021.

Social Housing Pension Scheme (SHPS)

Assumptions

The principal assumptions used by the actuaries in updating the latest valuation of the Fund for FRS102 purposes were:

	2020	2019
Discount Rate	2.36	2.34
Inflation (RPI)	2.58	3.26
Inflation (CPI)	1.58	2.26

Salary Growth	2.58	3.26
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

Mortality Assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2020 are based on the PA92 series. The assumed life expectations from age 65 are:

Life Expectancy from Age 65 (years)	**2020**
	No. of years
Retiring today – Males	21.5
Retiring today – Females	23.3
Retiring in 20 years – Males	22.9
Retiring in 20 years – Females	24.5

Amounts recognised in surplus or deficit

	2020
	£’000
Current service cost	-
Loss on settlements	-
Pension Curtailments	-
Amounts (credited) / charged to operating costs	**-**

	2020
	£’000
Net Interest cost	9
Amounts included in finance costs	**9**

24 Pensions (Group and Association) Continued

Reconciliation of opening and closing balances of the present value of scheme liabilities

	2020 £'000
Opening scheme liabilities per accounts	1,487
Current service cost	-
Interest cost	33
Re-measurements	(61)
Benefits paid	(134)
Past Service Cost, Including Curtailments	-
Contributions by Scheme Participants	-
Closing scheme liabilities	**1,325**

Reconciliation of opening and closing balances of the fair value of plan assets

	2020 £'000
Initial recognition plan assets at fair value	1,074
Interest income	24
Return on plan assets (in excess of interest income)	-
Other Actuarial Gains	141
Administration Expenses	-
Contributions by employer	35
Contributions by Scheme Participants	-
Benefits paid	(136)
Closing fair value of plan assets	**1,138**
SHPS DB scheme liabilities	**(187)**

At 31 March 2020 there were 147 (2019: 140) members in the DC scheme. Contributions to the DC scheme are between 2% and 10% for employees. An employers' contribution of between 4% and 10% is paid by Cottsway in respect of all members. Total employer contributions during the year were £417,277 (2019: £369,206).

25. Share capital (Group and Association)

	2020 £	2019 £
As at 1 April	8	9
Shares issued	-	1
Shares cancelled	(1)	(2)
As at 31 March	**7**	**8**

26. Contingent assets/liabilities

The Group and Association had no contingent assets or liabilities at 31 March 2020 (2019: nil)

27. Capital commitments

Capital expenditure	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Expenditure contracted for but not provided in the accounts	69,140	69,140	86,539	86,539
Expenditure authorised by the Board, but not contracted for	1,934	1,934	24,689	24,689
	71,074	**71,074**	**111,228**	**111,228**

In addition, the Board has approved a planned maintenance programme of £5.0m for the year ending 31 March 2021. A proportion of this expenditure will be capitalised in line with the Association's accounting policy. The contracted for commitments will be funded from the loan facility referred to in note 23 together with operating cash surpluses. There is £5.3m of Social Housing Grant that will be received towards the funding of development.

28. Leasing commitments (Group and Association)

The future minimum lease payments of leases are as set out below. Leases relate to vehicles and IT equipment.

Operating leases	2020 £'000	2019 £'000
Within one year	189	121
Between two to five years	524	188
As at 31 March 2020	**713**	**309**

29. Related parties

Cottsway Housing Association is providing management and repair services to Cottsway 2 Housing Association. In addition, Cottsway has two other dormant subsidiaries Cottsway Group Treasury plc and West Oxfordshire Housing Limited.

At 31 March the Chair of Cottsway Housing was also the Chair of Housemark Ltd. Cottsway utilise Housemark services to provide benchmarking information to help inform its value for money position and performance. Cottsway Housing paid Housemark £10,436 in 2019/20 (£9,571 2018/19).

30. Financial assets and liabilities (Group and Association)

The Board policy on financial instruments is explained in the Board Report as are references to financial risks. The only financial instruments the group holds are basic and the liabilities for these are included at amortised cost.

Basic financial instruments	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Financial assets that are debt instruments held at amortised cost	-	-	-	-
Financial liabilities held at amortised cost	(220,480)	(218,842)	(193,867)	(193,867)

Borrowing facilities (Group and Association)

The Group has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent had been met were as follows:

	2020	2019
	£000	£'000
Expiring in more than two years	40,000	50,000

31. Reconciliation of net cash flow to movement in net debt

	2020	2019
	£000's	£000's
(Decrease)/Increase in cash	(754)	5,227
Cash movement in debt finance	(38,006)	(15,000)
Movement in net debt in year	**(38,760)**	**(9,773)**
Loan issue costs	-	-
Movement in amortised cost of financial instruments	62	295
Total change in net debt	**(38,698)**	**(9,478)**
Net debt 1 April	(182,104)	(172,626)
Net debt 31 March	**(220,802)**	**(182,104)**

Analysis of net debt	**31 March 2019**	**Cash Flow**	**Non-Cash Movement**	**31 March 2020**
Group	**£000's**	**£000's**	**£000's**	**£000's**
Cash at bank and in hand	12,297	(754)	-	11,543
Loans	(194,401)	(38,006)	62	(232,345)
Changes in Net Debt	**(182,104)**	**(38,760)**	**62**	**(220,802)**

32. Restricted Reserve (Group and Association)

	2020	2019
	£000	£'000
At 1 April	**2,750**	**2,555**
Additions to Reserve	-	1,305
Applications of Reserve	(2,527)	(1,110)
At 31 March	**223**	**2,750**

The reserve holds receipts for properties sold that were transferred from West Oxfordshire District Council (WODC) in 2001. Under the terms of the transfer agreement 50% of the receipt is payable to WODC. They have agreed to 100% of the receipt being retained for all non-right to buy sales on the condition that the money received is reinvested in new properties in West Oxfordshire.

The Group has agreed with WODC that £30,000 per property from this reserve will be allocated to each new development within West Oxfordshire.

33. Group Structure

Cottsway Housing Association Limited is the ultimate parent Private Registered Provider (PRP) of the Group and it is required by statute to produce consolidated accounts.