Solon South West Housing Association Limited

(Known as Brighter Places since 1 April 2021)

Financial statements
For the year ended 31 March 2021

Co-Operative and Community Benefit Societies Act Number: 21136R

Regulator of Social Housing Number: L0125

Contents

Board Members, Executive Officers, Association Information

Board Members		Date From	Remuneration
J Taylor	Chair	May 20	£1,313
R Marshall	Vice Chair	Oct 16	£952
F Greenway	Chair of A&RC	Sep 20	£952
S Cook		May 16	£953
F Lester		Sep 20	£476
S Talbot-Williams		Sep 20	£952
K Anderson		Nov 20	£476
G Risdale		Nov 15	£953
M Grist		Nov 18	£953
T Jenkinson	Independent Member of AR&C		

Changes during the year	
G Oliver	Resigned Sep 20
M Kniveton	Resigned Sep 20
T Jenkinson	Resigned Sep 20
M Smith	Resigned Sep 20
A Booth	Resigned Sep 20
K Dovey	Resigned Sep 20
J Summer Hayes	Resigned Sep 20

Executive Officers	
Chief Executive	A Klimczak (Appointed 1 October 2020)
Finance Director & Company Secretary	G Giles (Appointed 15 March 2021)
Director of Development and Asset Management	R James

Changes during the year	
Chief Executive	P Ville (Resigned September 2020)
Director of Housing Services	D Harkin (Resigned 31 March 2021)
Interim Finance Director	R Wharton (Resigned 31 March 2021)

Association Information	
Registered Office	1 Newfoundland Court, St Paul Street, Bristol, BS2 8AN
Registered number	Registered as a charitable social landlord under the Co-operative and Community Benefit Societies Act 2014, No: 21136R. Registered by the Regulator of Social Housing, No. L0125.
Independent Auditor	Beever and Struthers Chartered Accountants, St. George's House, 215 – 219 Chester Road, Manchester, M15 4JE
Principal Solicitors	Bevan Brittan, Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, Burges Salmon, Narrow Quay Hse, Prince St, Bristol, BS1 4AH, Clarke Willmott, 1 Georges Sq, Bath St, Bristol, BS1 6BA
Principal Bankers	HSBC Bank PLC, 62 George White Street, Cabot Circus, Bristol, BS1 3BA

Report of the board

The Board presents its report and the audited financial statements for the year ended 31 March 2021.

Principal activities

Solon South West Housing Association Limited ('Solon', 'the Association') is a not for profit Registered Provider of Social Housing, registered with the Regulator of Social Housing as a charity under the Co-operative and Community Benefit Societies Act 2014. Our principal activities comprise the development and management of affordable homes for people in housing need.

During the year the Board progressed potential merger discussions with United Communities Limited ('UC'), with Solon legally transferring its engagements to UC on 1st April 2021. At this time Brighter Places Housing Association was born. A new name and organisation but focused on the same ambitions of enhancing residents lives through the services it provides.

Board and governance

The Board members who served during the period are shown on page 3.

Our Executive Officers are listed on page 4, at the 31st March 2021. At the date of these financial statements, none of the Executive Officers are members of the Board. The Executives act within the authority delegated to them by the Board, as set out in the Rules and Standing Orders. The remuneration of the Board members and Executive Team, along with details of the highest paid officer, is detailed in Note 5 of these financial statements.

Committee structure

There are two formal Committees – the Audit and Finance Committee (A&FC) and the Customer Service Improvement Committee (CSIC). Each Committee of the Board has clear terms of reference and report back to the Board following each of their meetings.

The Board has delegated responsibility to the A&FC for the detailed oversight of finance and audit, including overseeing the review of the work plan and outputs from internal and external audit. The role of the CSIC has responsibility for customer service improvement, equality and diversity and resident participation. Other Sub-Committees meet as required to oversee remuneration and Board recruitment. The terms of reference of these committees are also reviewed regularly and kept up-to-date.

Job descriptions and job specifications have been agreed and adopted for the Chairs and Vice-Chairs of the Board, Committees and Working Groups. The roles and responsibilities of individual Board members are set out in a detailed letter, in accordance with the recommendations of the NHF Code of Governance (2015).

Appointment of Board members

Solon has a structured approach to Board succession and recruitment in line with the NHF Code of Governance (2015).

Board and Committee members are formally appointed at the Annual General Meeting.

Board skills, quality & experience

Board members should collectively possess the qualities and skills to take decisions and monitor performance. Collectively the Board needs to bring experience and understanding of a broad range of topics including but not limited to finance, development, residents' issues and local housing need.

Board Code of Conduct

Board members have an obligation to ensure that their private or personal interests do not influence their decisions or compromise their ability to always act in the best interests of Solon and those who it seeks to serve. They must not use their position to obtain personal gain of any sort. Solon adopt and apply the NHF Code of Conduct in further compliance with the NHF Code of Governance (2015).

Membership

Board Members are drawn from a wide background, bringing together a broad range of professional, financial, commercial, and local community skills and experience, including significant expertise in developing, maintaining, managing and living in affordable housing.

Members can raise issues and vote at the Annual General Meeting and other General Meetings. Business conducted at the Annual General Meeting includes the appointment of members to serve on the Board and the approval of the annual financial statements. Other matters to be voted on may include changes to Solon's constitution.

Internal controls assurance

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

The Board has reviewed the extent and adequacy of Solon's internal control systems and affirms that the Association maintains sound and effective systems of internal control. 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.

In meeting its responsibilities, the Board has adopted a risk-based approach to establishing and maintaining internal controls which are embedded within day-to-day management and governance processes. A process for identifying, evaluating and managing the principal risks faced by the Association has been in place throughout the period commencing 1 April 2020 up to the date of the transfer of engagements. The Board receives and considers reports from management on risk management and control arrangements on a periodic basis.

The arrangements adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework are set out below:

Governance framework

Solon is governed by the Board. The Terms of Reference of the Board and the quality of Solon's governance are reviewed against the recommendations of the National Housing Federation (NHF) Code of Governance (2015). The Code has been developed to help housing associations achieve the highest standards of governance. We comply with the recommendations of the Code.

In previous years, Solon had considered and reported a level of non-compliance against Code E4 i.e. 'All Boards and committees must consider their effectiveness annually and how they conduct their business'. In undertaking the most recent (2021) self-assessment it was noted that the Solon Board did undertake a fundamental review of their position in respect of assessing the business case for merger and its subsequent Board and Governance structure implications, and this review and the subsequent implementation to form Brighter Places now demonstrated full compliance with the 2015 Code.

Internal control framework

The Board has put in place Standing Orders and Financial Regulations which set Solon's high-level internal control framework. The Standing Orders were last reviewed as part of the consideration of the standing orders for the newly merged entity by joint Audit & Risk and approved by Joint Board in Feb 2021.

The Standing Orders, incorporating the Board and sub-committee Terms of Reference set out the delegated authorities to committees and working groups, managers and staff, and are made available to all staff. Regular review of the Standing Orders ensures that the correct balance of authority between the Board, Senior Management Team (SMT) and Sub-Committees, and a wide range of critical internal controls are maintained.

Solon has put in place a business plan which sets out the Association's vision, business objectives, and key targets. This is reviewed every three years, or more regularly if necessary. The business plan is developed in conjunction with the 30 year financial plan which tests the financial implications and viability of the proposals, and includes sensitivity analysis and robust doomsday and other stress testing. The financial plan is reviewed and updated annually.

Work required to achieve the objectives of the Business Plan is incorporated into action plans which define tasks to be completed by named staff within set deadlines. Depending on whichever is appropriate, the Board, Audit & Finance Committee, Customer Service Improvement Committee or SMT subsequently monitor progress against action plans during the year.

The business plan was last reviewed in May 2017 when a new plan covering the period 2017–2020 was approved by the Board. It was due to be next reviewed in March 2020, however, this was deferred to allow a joint business plan to be created for Brighter Places following merger.

Risk identification and evaluation

Solon maintains a rolling risk assessment process, concentrating on risk identification and evaluation and monitoring of suitable controls. This is led by the Chief Executive, who has overall responsibility for advising the Board and Audit & Finance Committee on risk management, and reporting any significant changes affecting key risks. A range of stakeholders including senior managers, Board and sub-committee members are involved in the initial identification of risks and assessment of risk controls and mitigating actions.

Potentially high, medium and low gross risks are analysed to assess the probability of the risks arising and the possible impact should they do so. The SMT subsequently identifies and assesses the existing controls available to avoid occurrence of the highest priority risks, and, where weaknesses exist, proposes actions to mitigate them. The highest strategic risks and progress with risk mitigation are regularly reported to the Audit & Finance Committee and the Board.

Decisions relating to all high risks, including decisions on the acceptance of risk, and particularly those involving financial or political risk are taken by the Board, based on recommendations of the Audit and Finance Committee or other sub-committees or working groups where appropriate.

Operation of controls and monitoring

Solon maintains and upholds comprehensive policies and procedures which incorporate all necessary controls. Managers are required to ensure that they and their staff follow policies and procedures.

There is some reliance on Director and other staff certifications, and management certification used in conjunction with internal audit. A standard feature of the internal audit scoping is to consider and review the integrity and application of such management certifications

The Board has affirmed that, where appropriate, Solon's core policies have been reviewed and, if necessary updated.

Independent assurance

Solon currently employs Mazars as internal auditors to provide independent assurance that appropriate controls are operated.

Mazars completed 3 full internal audits (rent setting; ICT asset & data security and empty property management) and two rounds of 'compliance testing' during 2020/21. Two audits were graded adequate and the other substantial; no compliance testing areas received a result of 'control not effective'

In Mazars opinion, Solon had in place an appropriate framework for identifying, evaluating and managing the significant risks faced by the organisation.

Financial control

Long-term financial forecasts (30-year financial plans) are reviewed and approved annually by the Audit & Finance Committee and Board. The financial forecasts demonstrate, and help to ensure long-term financial viability. The 30-year financial plan relating to 2020/21 and beyond was reviewed and approved by the Audit & Finance Committee and the Board in March 2020. Subsequent to the formation of Brighter Places, a new 30 year Financial Plan has been approved by the Board of the new association.

Annual budgets are prepared, approved by the Board, and monitored monthly, and quarterly via the preparation of management accounts. Short and medium-term cash flow forecasts are prepared quarterly to ensure liquidity.

Health and Safety

Solon is committed to its health and safety and welfare obligations and complies with relevant health and safety legislation. Solon adopts a pro-active and robust approach to all areas of Landlord Health & Safety, utilising independent experts for specialist areas of compliance in conjunction with a programme of internal audit reviews.

Donations

Working with United Communities, Solon established a coronavirus community fund to support local communities during the unprecedented and challenging times faced in 2020/21. Applications were received from an array of local community groups for values of up to £5,000 each. A total of £100,000 of funding was shared between 26 partners, with Solon's contribution being £37,000 paid in 2020/21 (2020: £nil).

Directors' insurance

Solon's Board members and officers have appropriate personal liability insurance cover in place. Cover was in place throughout the year and no claims were made.

Provision of information to the Auditor

The members of the Board who were in the meeting on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the members of the Board have confirmed that they have taken all of the steps that they ought to have taken as members of the Board in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Independent Auditor

Beever and Struthers were re-appointed as auditors at the Board Meeting on 24 September 2020. They have confirmed their willingness to continue in office.

Approval

The report of the Board was approved by the Board on 22 July 2021 and signed on its behalf by:

Grant Giles, Company Secretary and Finance Director

Strategic Report

What we do

Solon is an independent, locally-controlled and community focused housing association. Our core business is the provision, management and maintenance of good quality, affordable rented homes in Bristol, South Gloucestershire, and surrounding areas where we can manage homes effectively.

Our services are provided directly (in-house) or in partnership with other agencies where this is more appropriate or cost effective. We invest in a trained and motivated workforce to deliver our services and are accredited as an Investor in People.

Solon owns and or manages over 1,300 properties with the vast majority at general needs social rents.

Performance

In a challenging external environment, with the uncertainties of the COVID-19 pandemic and Brexit, the business has maintained delivery of all core essential services either being provided directly (in-house) or in partnership with other agencies.

During the period the business has also delivered significant internal change activity in preparing for the merger with United Communities and delivery of the ICT project, both adding pressure to the financial resources of the business.

Despite these internal and external factors, we have remained committed to supporting the efforts of the sector to tackle the housing crisis. 2020/21 has been another year of significant investment in new homes, with £6.8m being invested, with 46 new homes being delivered in the year.

Despite the restrictions imposed by the lockdown periods intermittent through the year and the social distancing practices required, all essential repairs services have been maintained to ensure the safety of our homes for our residents was not impaired.

Key performance indicators for management of our stock:

Outcomes Delivered				
Customers satisfied with the service we provide	**2019/20**	**2020/21**	**Target**	**Sector Median**
This metric brings in the customers' perspective – to what extent are our customers satisfied with the service we provide	74%	67%	90%	91%

This metric looks at several different areas including the quality of homes, value for money for rent paid, value for money for service charges and satisfaction with repairs. Overall, satisfaction with the service we provide has reduced by 7% from 74% in 2019/20.

Improving Customer satisfaction is a key outcome for the merger with United Communities, to ensure good quality customer services that are easy to access, with an increasing focus on working with customers for better outcomes.

Services in the year have been significantly affected by COVID-19. Repairs have been reduced to emergency and urgent, with planned works being delayed along with non-urgent home visits.

% Of residents satisfied with the repairs and maintenance service	2019/20	2020/21	Target	Sector Median
This metric shows to what extent our customers are satisfied with the routine repairs and maintenance service	66%	69%	85%	N/A

Our repairs and maintenance contract partners have struggled to fully respond to increased demand from backlog works resulting from the first lockdown and onset of winter. The third lockdown has also had an impact on performance due to access issues and staff absences due to COVID-19.

However, performance has improved marginally year on year and we will continue to focus on improvement as part of the Brighter Places service development.

% Of repairs completed within target timescale	2019/20	2020/21	Target	Sector Median
This measure shows how we are delivering services in a timely manner	95.38%	77.91%	98.5%	N/A

The satisfaction is being impacted by jobs not being completed at the first visit and the length of time it is taking to complete some of the routine backlog repairs that were put on hold through the first and second lockdowns. The third lockdown has also significantly impacted on satisfaction generally as services are limited, and delivery timescales increase to respond to the H&S issues presented by the pandemic.

Number of complaints received	2019/20	2020/21	Target	Sector Median
This metric shows the number of complaints received from residents during the year	18	17	Reduction YoY	N/A

Despite the impact of COVID-19, the overall number of complaints reduced year on year in line with Target performance.

Rent arrears (net of unpaid HB)	2019/20	2020/21	Target	Sector Median
This shows how effective we are at collecting rents due.	3.7%	3.5%	3.2%	N/A

Solon rent arrears collection rate has improved from previous year but remains outside our target outcome due to the external pressures faced from the COVID-19 environment. During the year there were a large number of new Universal Credit applications made by Solon tenants. The Income team has continued to contact the 450 tenants identified as being at risk of financial hardship, to provide basic financial and benefits advice and stabilise arrears performance.

Rent loss for empty properties	2019/20	2020/21	Target	Sector Median
This indicates whether the organisation has minimised the financial impact of void properties and maximised the return on Solon's asset base	2.13%	1.36%	N/A	N/A

Reduction year on year with rent loss reduction benefitting from the reduction in resident movement in the year.

The Future - Brighter Places

Following initial merger discussion between the Boards of Solon South West Housing Association and United Communities throughout 2019/20, both organisations entered into a Strategic Alliance on 1st October 2020. The Strategic Alliance formally brought the two organisations closer together including the appointment of a joint Chief Exec and joint Transformation Director. The Boards also worked closer together with overlapping meetings and a number of Board members who were members of both organisations. The Strategic Alliance was a steppingstone to a full legal merger, and this was achieved on 1 April 2021 when the two organisations merged to become Brighter Places.

Brighter Places
Building better futures

The merger business case identified that working together would enable us to achieve better value for money, to provide more affordable homes, to improve services to residents and stakeholders, and also to increase the potential for creating additional employment in the local area.

A key commitment for both Solon and UC throughout the merger was the involvement and engagement with our residents. In 2020, an Interim Residents Panel was formed consisting of residents from both organisation and these residents, alongside colleague, developed a new improved customer service proposal. This customer service proposal was circulated to all residents as part of the merger consultation and residents had the opportunity to attend a number of virtual events to discuss the merger and the proposal in more detail.

This customer service proposal outlines 9 commitments Brighter Places has already started to deliver;

- A £10-million programme of improvements
- The delivery of 1,000 new homes by 2025
- An apprenticeship programme to enable local people to develop professional skills
- An accessible and modern customer office and simple self-service option
- Fast, high-quality and consistent customer service focused on a personal approach
- Greater investment in tackling anti-social behaviour and improving communal areas
- A major overhaul of the repairs process
- An annual home safety MOT and energy-efficiency improvements
- A commitment to equality, diversity and inclusion at all levels of the organisation
- Make Brighter Places a destination employer to attract people determined to make a positive impact for residents

Value for Money

On 1st April 2018, the Regulator of Social Housing published the new Value for Money Standard. Alongside the Standard is the Code of Practice which clarifies the Standard by explaining and elaborating on the content.

The Code requires providers to report in their statutory accounts against the metrics defined by the Regulator. These metrics are defined in the 'Value for Money Metrics' document issued by the Regulator in April 2018.

The table below details Solon's performance against the Value for Money Metrics. Solon benchmarks performance using the latest Global Accounts published by the Regulator of Social Housing, the Sector Scorecard. Value for Money Metrics have been benchmarked both against the sector median and the peer median which is based on Housing Providers with less than 2,500 units.

Reinvestment %	2019/20	2020/21	2020/21 Target	Sector Median (all)	Peer Median
This metric looks at Solon's investment in properties including existing stock and new stock. This is calculated as a percentage of value of total properties.	6.9%	8.3%	16.2%	7.2%	5.6%

The reinvestment % for Solon at 8.3% is higher than the peer median and the overall sector median. Despite the restrictions being placed on development sites as a result of COVID-19, significant activity was still maintained throughout the year to work towards delivering new homes. Similarly, our planned capital programme was subject to significant restrictions with access to resident's homes extremely limited during the national lockdowns. Despite those challenges, the organisation was able to meet the reinvestment percentage.

During 2020/21, Solon invested £6.6m into developing new homes, delivering 46 homes at: Woodleaze (18) and Bedminster Road (28).

As delivery of the Brighter Places customer commitments continue, re-investment is expected to remain at similar levels.

New supply delivered (social housing) as a % of total stock	2019/20	2020/21	2020/21 Target	Sector Median (all)	Peer Median
This sets out the number of new social housing units that have been acquired or developed in the year as a proportion of total units. Note that Solon does not develop non-social units.	0.5%	3.4%	3.0%	1.5%	0.7%

During 2020/21, Solon invested £6.6m into developing new homes, delivering 46 homes at: Woodleaze (18) and Bedminster Road (28).

Despite the restrictions faced through operating within the COVID-19 environment, this represented significant growth year on year and above target (Housemark upper quartile) performance.

As part of the commitments made following announcement of the merger with United Communities to form Brighter Places, there is an ambitious development aspiration to deliver 1,000 homes by 2025.

Gearing %	2019/20	2020/21	2020/21 Target	Sector Median (all)	Peer Median
This shows the proportion of our borrowing compared to our assets. A high gearing could indicate that we have taken on too much borrowing however low gearing could indicate that we have capacity to borrow more.	24.5%	27.5%	36.7%	44.0%	34.5%

Gearing at 27.5% increased from the prior year due to additional drawings (£8m Triodos) and reduced cash balances used largely in support of the Solon Development programme, although £7.2m (Dexia) was repaid at the end of the year ahead of the merger.

Gearing remains below the sector median at 44.0% and the peer median of 34.5%.

Solon currently has £41.1m of drawn loan facilities with a further £25.9m of facilities arranged and undrawn.

EBITDA – MRI	2019/20 (Restated)	2020/21	2020/21 Target	Sector Median (all)	Peer Median
This shows how much cash the organisation is generating compared to interest payments. Any result above 100% means that Solon is generating surplus cash over and above interest payments	171%	149%	150%	170%	199%

EBITDA-MRI (earnings before interest, tax, depreciation and amortisation including major repairs) as a % of interest has reduced from 2019/20 primarily driven by increased management costs to maintain service levels through the pandemic and in preparation for the merger, along with merger related professional fees. This is in addition to the impact of a reversal of a grant receipt recognised in the prior year, reversed in 20/21.

The measure is below the sector median and peer average, which is expected given the one off events occurring within the business. Excluding merger related costs EBITDA – MRI was (2021: 173%, 2020: 178%).

EBITDA-MRI performance is lower than target primarily due to the impact of the additional costs incurred relating to the merger and COVID-19 which increased operating costs during the year.

Headline social housing cost per unit (£)	2019/20 (Restated)	2020/21	2020/21 Target	Sector Median (all)	Peer Median
The unit cost metric assesses the headline social housing cost per unit as defined by the Regulator of Social Housing	£3,321	£3,821	£4,223	£3,830	£4,600

The headline social housing cost per unit has increased 15%, from the 2019/20 unit cost.

The increase in cost per unit from the prior year is driven by increased management costs year costs year on year, due to investment in staffing to ensure service was maintained through the year under a COVID-19 impacted environment and preparation for the merger. Additional home repairs service costs were incurred as cost per void increased due to restrictions on pre-exit property surveys. As a result of these additional costs, the cost per unit for the year is higher than target.

The Solon per unit costs remains below the peer median but above the sector median as it continued to operate without the beneficial scale of operations achieved by larger HAs.

Operating Margin % Social Housing	2019/20	2020/21	2020/21 Target	Sector Median (all)	Peer Median
This is an indicator of operating efficiency and business health as it measures the amount of surplus generated from turnover on our day to day activities	18.3%	16.8%	13.3%	25.7%	23.9%

Our social housing operating margin has decreased from 18.3% in 2019/20 to 16.8% in 2020/21. This is slightly favourable to target which reflected the expected impact of additional staffing costs in response to COVID-19 and merger preparation.

Turnover from rent has remained relatively consistent with prior year however costs have increased due to one off events within the business as described above.

Operating Margin % Overall	2019/20 (Restated)	2020/21	2020/21 Target	Sector Median (all)	Peer Median
This is an indicator of operating efficiency and business health as it measures the amount of surplus generated from turnover on our day to day activities	22.3%	15.4%	14.6%	23.1%	20.3%

The overall operating margin has decreased from the previous year due to additional staffing costs and professional advice resulting from COVID-19 and merger preparations. The result has been further impacted by a reduction in income caused by the reversal of a grant receipt recognised in the prior year.

Excluding the impact of the grant receipt reversal (123k) and one off merger costs, performance exceeds the peer median at 21%.

Return on capital employed (ROCE) %	2019/20	2020/21	2020/21 Target	Sector Median (all)	Peer Median
This metric compares the operating surplus to total assets less current liabilities and assesses the efficient investment of capital resources	2.8%	2.0%	1.5%	3.4%	3.0%

Return on capital employed has decreased in 2020/21 due to the year on year operating surplus reduction driven by increased staffing costs resulting from responding to the COVID-19 pandemic and preparation for the merger, as well as a year on year grant income reduction.

Financial review

The Statement of Comprehensive Income for the year ended 31 March 2021 and the Statement of Financial Position at 31 March 2021 are shown on pages 23 and 24. The key financial highlights for Solon are as follows:

- The Total comprehensive income for the year of £528,000 represents a £344,000 reduction from the 2020 result of £872,000. The result is significantly impacted by one off costs incurred through the merger process and increased costs associated with operating in the COVID-19 environment.
- The operating surplus for the year £1,744,000 (23.2%) represents a decrease of £372,000 versus the prior year (2020: £2,116,000, 28.0%). The decrease in operating margin is primarily driven by increased operating expenditure specifically in salary costs as the business adjusted to the COVID-19 operating environment, additional resource and consultant advice to support the merger and one off costs associated with colleague departures.
- Interest and financing costs for the year to 31 March 2021 of £1,217,000 (2020: £1,270,000) represents an reduction of £53,000. Net additional funds have been drawn in the year, with the impact offset by the cost of funding benefitting from the reduction in Libor versus the prior year as funders responded to the impact of the pandemic.
- The year-end cash position has decreased during the year with a balance of £1,914,000 at 31 March 2021 (2020: £3,312,000).

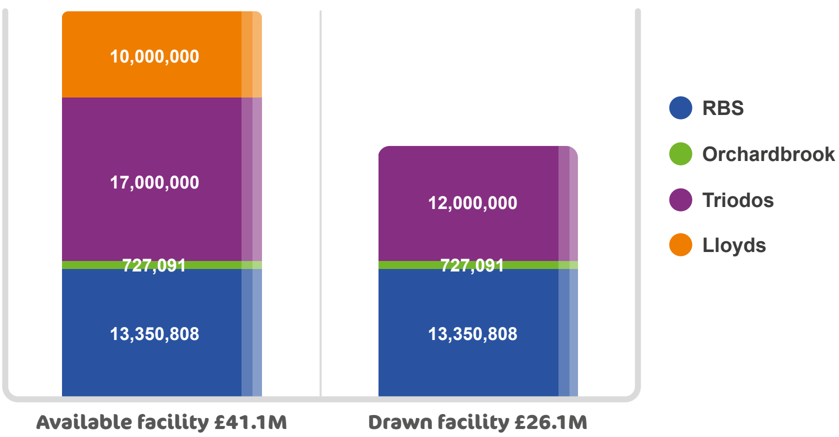
Funding and Treasury

In relation to funding and treasury activity, key lenders to the organisation are Triodos, RBS and Orchardbrook, with HSBC our principal bank providing day to day transactional support. During the year, Solon undertook the following key activities:

- Draw down of £8m from the Triodos facility - £2m Sep 2020, £6m Nov 2020
- Charged property to the £10m Lloyds RCF – Feb 2021
- Repaid the Dexia facility (£7.2m) – March 2021

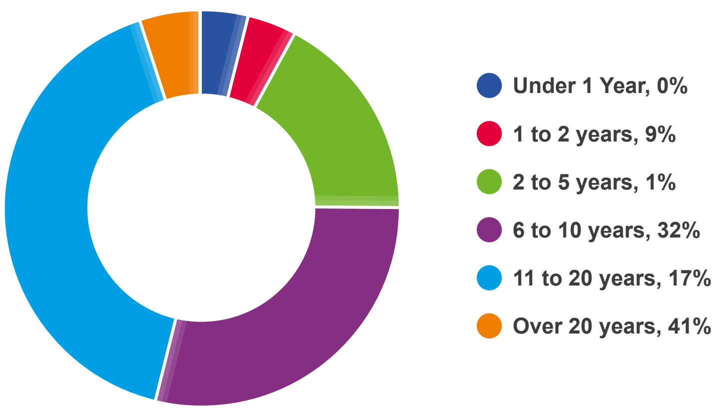
Arranged facilities as at 31 March 2021 totalled £41.1m of which £25.9m were drawn; the split between lender is illustrated in the Facility Debt Profile below:

Facility debt profile



At the balance sheet date, the repayment profile of the drawn debt has 46% of the debt repayment being due after 10 years. The Drawn Debt Repayment Profile is illustrated below:

Drawn debt repayment profile



Of the total debt drawn 57% is at fixed interest rates, in line with the annually approved Treasury Policy. The latest combined Brighter Places business forecast estimates a total of £40m additional funding is required over the 30-year financial plan period predominantly required for development and re-financing of existing facilities.

At the year-end there were 677 units of unencumbered units of stock, subject to satisfactory gearing and interest cover providing security head room of EUV 41.2m MVSTT £78.2m.

Treasury activities are controlled and monitored by the Board and are executed by the Finance Director with the assistance of external consultants as required. This ensures that adequate cost-effective funding is available for the requirements of the business and that financial risk is minimised. Cash flows are monitored and forecast regularly to minimise cash held and further funds are drawn down as required to cover the investment plans of Solon.

Solon's financial instruments comprise borrowings, cash and liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to finance Solon's operations.

Future plans, risks and uncertainties

2020/21 was an eventful year with the business facing an uncertain economic and operating environment brought about by the global COVID-19 pandemic, Brexit and significant changes to national housing policy through the Social Housing White Paper published by the Ministry of Housing Communities and Local Government in November 2020. These risks continue to shape our future plans and align to our reasons for completing the merger with United Communities.

In 2021/22 the new 2020 Rent Standard, effective from 1 April 2020 ends the four years of annual reductions, returning to CPI +1% rent increases for the next 5 years. However, any positive impact this may have on revenue may be offset by the future approach of Government to reducing the nation's debt levels, solving the housing crisis and meeting its environmental commitments.

This backdrop helped the combined Board of Brighter Places set its customer commitments and future plans as set out above.

The key risks during the financial year, and which have informed our future plans, are summarised below:

Risk	Mitigation
Political uncertainty and change including uncertainty around rents, further welfare reform, and unforeseen changes in the external environment.	The government has made a number of pledges around housing and welfare cuts including the extension of right to buy to housing associations, reduction in the benefit cap, freezing working age benefits for two years and removing automatic entitlement to housing support for 18 to 21 year olds. Despite the reversion back to CPI plus 1% for rent setting levels, there continues to be uncertainty around rent levels given unforeseen changes in the external environment. Though the housing sector generally has been robust in its response to COV-ID-19, there remain unforeseen potential changes in our external environment where the government may influence the performance of the economy and the lives of our residents. It is not yet known what impact this will have on the housing sector, with a potential for increased unemployment and the tightening of development resources regarding availability and cost as the government support for individuals and businesses is reduced. Whilst many political changes themselves are outside of our control, early planning and a good understanding at Board and Executive Officer level means that we are well placed to respond quickly to changes as they occur. We have and will continue to refresh, and stress test our long-term financial plan. We also undertake extensive mitigation planning to understand the necessary steps to ensure viability of the business.
Availability of funding from financial institutions	This is the risk that financial institutions stop lending in general or to the housing sector specifically. We engage treasury advisors who can provide up to date information on the financial sector and current trends. Current indications are that, despite the challenging economic environment, lenders continue to have confidence in the sector and a continuing appetite to provide funding.

Risk	Mitigation
Interest rate rise impacts on the financial business plan	The timing and scale of interest rate rises have an impact on our budget and variable rate funding costs both now and in the future. The Bank of England response to COVID-19 has focused on maintaining historically low interest rates to stimulate the economy and these low rates are likely to be sustained in the near term, certainly whilst inflation remains below the long term Government aspiration. We will continue to monitor the situation and undertake robust stress testing of the long-term financial plan to identify the impact of any change, which includes modelling the impact of interest rate increases. Appropriate mitigations are identified, with contingency plans prepared, which would ensure the organisation's viability.
Rising land and build costs and decreasing land availability impacts on our ability to deliver new homes	Against a backdrop of increasing prices and a competitive land market, we have set controlled investment parameters to ensure we deliver in an efficient and effective manner, whilst providing high quality homes to our future customers. We are focussed on developing new products and creative delivery models and partnerships which will help us achieve our targets.
Rise in CPI impacts on the financial business plan	CPI has maintained historically low levels throughout 2020/21 with the uncertain economic back drop provided by Brexit and the COVID-19 pandemic having a significant impact on business confidence across the globe. There is potential for CPI to rise as the economy improves, but the Government debt provision, increased unemployment and the impact of new strains of the virus provide considerable uncertainty on this outcome. Whilst an increase in CPI does put a pressure on our cost base, it also provides an increase to income with the return to rent setting now reverting back CPI +1%, following four years of effective rent income reduction. To mitigate against the impact of changes to CPI, the organisation undertakes robust stress testing of the long-term financial plan which includes modelling the impact of CPI increases on costs and rental income decreases. Mitigating actions are then identified including saving plans and adjustments to the planned spend.
Development and sales	Following an initial period of “lockdown” resulting from control measures introduced for COVID-19, in contract development schemes returned to site, although productivity was impacted due to social distancing requirements. Changes to the programme due to the pandemic are incorporated into plans, and robust stress testing of changes to development, and associated sales and rent revenues, has been undertaken.

The Association is exposed to the following financial risks:

Risk	Mitigation
Interest rate risk	The Association, when considered appropriate, uses treasury advisors to recommend an appropriate hedging strategy which has been approved by the Board. This includes maintaining a balance between the value of the Association's drawings which are at fixed and variable interest rates, with the aim of minimising interest rate risk.
Liquidity risk	Cash flow monitoring takes place monthly. Forecasts are prepared quarterly and revised regularly throughout the year to ensure that Solon has sufficient working capital to finance its day to day activities and can accurately forecast future funding needs.
Credit risk	Solon's principal financial assets are bank balances and cash, rent arrears and other receivables, and investments. Solon's credit risk is primarily attributable to its rent arrears. The amounts presented in the Statement of Financial Position are net of allowances for bad debts. Rent arrears are monitored regularly. The credit risk on liquid funds and financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Our Treasury Management Policy sets out minimum requirements in terms of credit ratings for the financial institutions it deals with.

The Governance and Financial Viability Standard

Solon has fully complied with the Governance and Financial Viability Standard issued by the Regulator of Social Housing.

The Regulator of Social Housing (RSH) published a refreshed regulatory judgement for Solon in January 2021 that confirmed the regulatory ratings for financial viability and governance are as follows:

Viability (V1) "The provider meets the requirements set out in the Governance and Financial Viability standard of the Regulatory Framework in relation to financial viability."

Governance (G1) "The governing body, supported by appropriate governance and executive arrangements, maintains satisfactory control of the organisation."

Further details on the RSH's regulatory approach and Solon's regulatory judgement can be found at https://www.gov.uk/government/publications/regulatory-judgements-and-regulatory-notices

National Housing Federation Code of Governance

The Board has adopted the National Housing Federation's 2015 Version of the Code of Governance and confirm that Solon complies fully with the Code.

In previous years, Solon had considered and reported a level of non-compliance against Code E4 i.e. 'All Boards and committees must consider their effectiveness annually and how they conduct their business'. In undertaking the most recent (2021) self-assessment it was noted that the Solon Board did undertake a fundamental review of their position in respect of assessing the business case for merger and its subsequent Board and Governance structure implications, and this review and the subsequent implementation to form Brighter Places now demonstrated full compliance with the 2015 Code.

Statement of Board members' responsibilities

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

Registered Provider legislation requires the Board to prepare financial statements for each financial year. Under that legislation the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Housing Association legislation, the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Association and of the surplus or deficit of 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with Housing Association legislation. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to the auditor

Each of the Board members at the date of approval of this report has confirmed that:

- As far as the Board members are aware, there is no relevant audit information of which the Association's auditor is unaware; and
- The Board members have taken all the steps that they ought to have taken as Board members in order to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

Approved by the Board and signed on its behalf by:

Grant Giles, Company Secretary

Independent Auditor's Report to the members of Solon South West Housing Association Limited

Opinion

We have audited the financial statements of Solon South West Housing Association Limited ('the Association') for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 19, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Use of the audit report

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

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

Date:

Statement of Comprehensive Income
For year ended 31 March 2021

	Note	2021	2020 Restated
		£'000	£'000
Turnover	3a	7,517	7,567
Operating expenditure	3b	(6,090)	(5,825)
Operating costs - exceptional (merger)	3c	(266)	(84)
Surplus on sale of properties	10	583	458
Operating surplus	3	1,744	2,116
Interest Receivable	7	1	26
Interest Payable and similar charges	8	(1,203)	(1,270)
Finance Costs - exceptional (merger)		(14)	-
Total Comprehensive Income for the year	9	528	872

Statement of Financial Position

For year ended 31 March 2021

	Note	2021	2020 Restated
		£'000	£'000
Fixed assets			
Housing properties	12	87,045	81,170
Other tangible fixed assets	13	404	234
		87,449	81,404
Current assets			
Debtors	14	422	366
Cash		1,914	3,312
		2,336	3,678
Creditors:			
Amounts falling due within one year	15	(3,401)	(2,610)
Net current assets/(liabilities)		(1,065)	1,068
Total assets less current liabilities		86,384	82,472
Creditors:			
Amounts falling due after more than one year	16	(55,869)	(52,485)
Net assets		30,515	29,987
Capital and reserves			
Non-equity share capital	18	-	-
Revenue reserve		30,515	29,987
Total reserves		30,515	29,987

The financial statements were approved by the Board on 22 July 2021 and signed on its behalf by:

James Taylor
Chair

Richard Marshall
Vice Chair

Grant Giles
Company Secretary

Statement of Changes in Reserves

As at 31 March 2021

	Revenue reserve
	£'000
At 1 April 2020	29,987
Surplus for the year	528
At 31 March 2021	30,515

	Revenue reserve
	£'000
At 1 April 2019	29,115
Surplus for the year	872
At 31 March 2020	29,987

Statement of Cashflows
For year ended 31 March 2021

	2021	2020
	£'000	£'000
Cash flow from operating activities		
Surplus for the year (before tax and interest)	528	872
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	1,256	1,310
Decrease/(increase) in debtors	(56)	854
(Decrease)/increase in creditors	726	168
Adjustments for investing or financing activities:		
RCGF qualifying works	123	(123)
Proceeds from the sale of tangible fixed assets	(712)	(458)
Government grants utilised in the year	(444)	(371)
Interest payable	1,203	1,270
Interest receivable	(1)	(26)
Net Cash generated by operating activity	2,623	3,496
Cash flows from investing activities:		
Purchase of tangible fixed asset	(7,378)	(5,632)
Proceeds from sale of property, plant and equipment	712	530
Grants received	3,579	1,734
Interest received	1	26
Cash flows from financing activities:		
Interest paid	(1,203)	(1,270)
Repayments of borrowings	(7,732)	(783)
New Loans	8,000	-
Net increase/(decrease) in cash and cash equivalents	(1,398)	(1,898)
Cash and cash equivalents at beginning of year	3,312	5,210
Cash and cash equivalents at end of year	1,914	3,312

Notes to the financial statements

1. Legal status

The Association is a Private Registered Provider of Social Housing in England under the Co-operative and Community Benefit Societies Act 2014. The registered office is 1 Newfoundland Court, St Paul Street, Bristol BS99 9AN.

2. Principle accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2018. The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019.

The accounts are prepared on the historical cost basis of accounting and are presented in £'000.

The Association's financial statements have been prepared in compliance with FRS 102.

As a public benefit entity, Solon SW Housing Association has applied the public benefit entity 'PBE' prefixed paragraphs of FRS102.

Going concern

The Association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. We have considered our expectations and intentions for the next twelve months, including the impact of COVID-19, the Association's compliance with loan covenants, the net liability position report at 31 March 2021 of £1,065k and the availability of working capital, and assess the Association is a going concern. No significant concerns have been noted in the business plans of Brighter Places and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

Restatement of 2020

The financial results for 2020 have been restated to reflect the movement in classification of the costs incurred associated with the merger activity. Previously these were disclosed on the face of the income and expenditure statement as an Exceptional Item and not included within Operating Costs. The financial statements for the year ending 31 March 2021 have included such costs within operating costs and restated to the 2020 financial results to align to the treatment in 2021. In addition, Debtors and creditors have been restated in the 2020 financial results to correct the classification of credit balances (rent received in advance) from debtors to creditors. The restatements result in no change to the brought forward overall reserves of the entity at 1 April 2020.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

a. Development expenditure

The Association capitalises development expenditure in accordance with the accounting policy described below. Initial capitalisation of costs is based on management's judgement that the development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

Other key sources of estimation uncertainty:

a.Tangible fixed assets.

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

b.Impairment of non-financial assets

Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

c. Deferred income

Included within deferred income is an amount received in advance for rectification works on properties at River Street. Works to 8 properties have been carried out to 31 March 2021, with works remaining to be started on 12 units. The amount deferred has been calculated as the proportion of income relating the number units with work outstanding.

Turnover and revenue recognition

Turnover comprises rental income net of voids receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion. Supporting People Income is recognised under the contractual arrangements.

Support income and costs including Supporting People income and costs

Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in the Turnover as per note 3a. The related support costs are matched against this income in the same note. Support charges included in the rent are included in the Statement of Comprehensive Income from social housing lettings note 3b and matched against the relevant costs.

Shared ownership accounting and property disposals.

Properties developed for shared ownership sale are divided into first tranche sales and other sales. First tranche sales are included within Turnover with the attributable costs of the tranche relating to acquisition and works included within Cost of Sales. Subsequent tranches are not included in Turnover and Cost of Sales, but are shown as a separate item before the operating surplus in the Statement of Comprehensive Income. All other sales of fixed asset properties are dealt with in this latter way.

Interest

Interest payable is charged to the Statement of Comprehensive Income account in the year.

Pensions

The Association contributes to personal pensions for employees through a group stakeholder arrangement. This is a defined contribution scheme, and the assets are invested and managed independently of the finances of the Association. The costs are charged to management expenses over the periods benefiting from the employee’s services.

Supported housing managed by agencies

Social housing capital grants are claimed by the Association as owner of the property and included in the Statement of Financial Position of the Association. The treatment of other income and expenditure in respect of supported housing projects depends on whether the Association carries the financial risk.

Where the Association holds the support contract with the Supporting People Administering Authority and carries the financial risk, all the project's income and expenditure are included in the Association's Statement of Comprehensive Income (see note 3a)

Where the agency holds the support contract with the Supporting People Administering Authority and carries the financial risk, the Statement of Comprehensive Income includes only that income and expenditure which relates to the Association. Other income and expenditure of projects in this category is excluded from the Association's Statement of Comprehensive Income.

Taxation

Because of its charitable status, the Association is exempt from tax on its income from investments, revenue account surplus and capital gains, provided they are applied for charitable purposes.

Value added tax

The Association does not charge value added tax (VAT) on its income and is unable to recover the VAT it incurs on expenditure. The financial statements include the irrecoverable VAT suffered by the Association.

Housing properties and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation. Cost includes the cost of acquiring land and buildings and development costs incurred during the development period.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual useful economic life. Expenditure relating to subsequent replacement or renewal of components is capitalised when incurred. The residual cost of the replaced components is set off against the amount capitalised.

The Association depreciates freehold housing properties by component on a straight-line basis over the estimated useful economic lives of the component categories.

Useful economic lives for identified components are as follows:

	Years		Years
Structure	80	Boilers	15
Roofs	70	Kitchens	20
Windows	30	Bathrooms	30

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business if shorter.

Shared ownership properties are subject to leases which places the liability for maintenance of structure and components on shared owners. They are not depreciated on the basis that their current realisable values are in in excess of their residual costs.

Capitalisation of improvements to housing properties

Expenditure incurred in respect of improvements is capitalised where it results in an increase in the net rental stream over the useful life of the property. An increase in net rental stream may arise through: an increase in the rental income, a reduction in future maintenance costs, or as a result of a significant extension of the useful economic life of the property in the business.

Only the direct overhead costs associated with new developments or improvements are capitalised. Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Non-government grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as Turnover.

Social Housing and other government grants

Where developments have been financed wholly or partly by social housing and other government grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model.

When Social Housing Grant (SHG) in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHG received for items of cost written off in the Statement of Comprehensive Income Account are matched against those costs as part of Turnover.

SHG can be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes England. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover.

In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

Recycling of Capital Grant

Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties. Where recycled grant is known to be repayable it is shown as a creditor within one year.

Holiday pay accrual

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

Financial Instruments

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.

Financial instruments held by the Association are classified as follows:

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method;
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method;
- Commitments to receive or make a loan to another entity which meet the conditions above are held at cost less impairment;

Other tangible fixed assets

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 for other assets are:

- Furniture, fixtures and fittings - 3 to 5 years, depending upon type.
- Computers and office equipment - 3 years, with the first year of depreciation following the year the asset is recognised in the fixed assets register.
- Motor vehicles - 4 years.

Leased assets

All leases are treated as operating leases and payments are charged to the Statement of Comprehensive Income account on a straight-line basis over the term of the lease. The Association has no assets financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases).

3a. Turnover, operating costs and operating surplus

2021	Turnover	Operating costs	Operating surplus
	£'000	£'000	£'000
Social housing lettings (note 3b)	7,243	(5,928)	1,314
Total	7,243	(5,928)	1,314
Other social housing activities			
Supporting People	79	(77)	2
Other	195	(85)	110
Total	7,517	(6,090)	1,427

2020	Turnover	Operating costs	Operating surplus
	£'000	£'000	£'000
Social housing lettings (note 3b)	7,461	(5,632)	1,829
Total	7,461	(5,632)	1,829
Other social housing activities			
Supporting People	79	(82)	(3)
Other	27	(111)	(84)
Total	7,567	(5,825)	1,742

3b. Particulars of Income and Expenditure from social housing lettings

Social housing lettings	General Needs Housing	Supported Housing	Properties managed by others	Temporary Social Housing	2021 Total	2020 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Rents receivable	5,828	97	488	150	**6,563**	**6,573**
Service charge income	266	58	26	8	**358**	**394**
Amortised government grant	444	-	-	-	**444**	**371**
Other grants	(123)	-	-	-	**(123)**	**123**
Turnover	6,416	155	514	158	**7,243**	**7.461**
Expenditure						
Management	(1,902)	(39)	(213)	(2)	**(2,156)**	**(1,755)**
Donations	(37)	-	-	-	**(37)**	**-**
Service Charge Costs	(200)	(37)	(26)	(2)	**(265)**	**(277)**
Routine Maintenance	(832)	(1)	(10)	(2)	**(886)**	**(877)**
Planned Maintenance	(840)	(14)	(30)	(23)	**(907)**	**(1,080)**
Major Repairs Expenditure	(335)	(0)	(4)	-	**(339)**	**(291)**
Bad Debts	(58)	(9)	-	-	**(67)**	**(16)**
Depreciation of housing properties	(1,050)	(5)	(55)	(87)	**(1,196)**	**(1,244)**
Other Depreciation	(61)	-	-	-	**(61)**	**(68)**
Property Lease Charges	(14)	-	-	-	**(14)**	**(24)**
Operating costs	(5,329)	(106)	(337)	(156)	**(5,928)**	**(5,632)**
Operating surplus - Social housing lettings	**1,087**	**49**	**177**	**2**	**1,314**	**1,829**
Void losses	(79)	(17)	(53)	(24)	**(173)**	**(152)**

3c. Exceptional Operating and Finance Costs

The Association has incurred on-off costs relating to the merger with United Communities. These costs have been disclosed separately on the face of the Statement of Comprehensive Income, but are included in all performance metric calculations. The costs incurred include advisory and consultancy fees in relation to both treasury and financial matters, as well as governance and legal. In the Financial Statements for 2019/20, the costs associated with merger preparation were disclosed as an Exceptional item. This has been restated in these financial statements as documented in note 2.

	2021	2020
Directors who are executive staff members	**£'000**	**£'000**
Operating Costs – Exception (merger)	268	64
Finance Costs – Exception (merger)	14	-

4. Supported Housing Managed by Agents

Where the agency carries the financial risk, The association's income and expenditure account includes only the income and expenditure for which it retains responsibility. The Association has 119 (2020:119) supported bedspaces that are managed on its behalf, under management arrangements, by other bodies who contract with Supporting People Administering Authorities, Under Solon's management agreements, the agents carry the financial risk relating to the Supporting People income, whilst Solon bears the financial risks relating to the properties themselves.

5.Directors' remuneration and transactions

Key management personnel remuneration

	2021	2020
Directors who are executive staff members	**£'000**	**£'000**
Emoluments including pensions and benefits in kind	481	296
Emoluments excluding pension contributions	467	283

- Board costs incurred for the year were £8,857, including salary of £7,980 and general costs of £877 (2020: £2,797).
- The Chief Executive is a member of the pension scheme on the same terms as all other eligible employees. A contribution of £6,085 (2020: £3,751) was paid in addition to the personal contributions of the Chief Executive.
- Directors are defined as the members of the Board, the Chief Executive and any other person who is a member of the Executive Management team.

	2021	2020
Remuneration of the highest paid director, excluding pension contributions:	**£'000**	**£'000**
Emoluments	181	80

The Chief Executive is an ordinary member of the pension scheme. No enhanced or special terms apply.

6. Employee Information

	2021	2020
	£'000	£'000
Wages and salaries	1,201	972
Social security costs	114	86
Other pension costs	59	54
	1,374	1,112

During the year compensation for loss of office was paid to 2 Directors (£160,815).

The Full Time Equivalent number of staff who received emoluments, including pension contributions, in excess of £60,000 are shown below:

	2021	2020
Salary Band	Number	£'000
£60,000 – £69,999	-	1
£70,000 – £79,999	1	-
£80,000 – £89,999	-	1
£90,000 – £99,999	-	-
£100,000 – £109,999	1	-
£180,000 - £189,999	1	-

	2021	2020
	Number	£'000
The average full-time equivalent number of employees was:	35	31

7. Interest Receivable and Similar Income

	2021	2020
	£'000	£'000
Bank interest receivable	1	26
	1	26

8. Interest Payable and Similar Charges

	2021	2020
	£'000	£'000
Bank loans and overdrafts		
Repayable wholly or partly in less than 5 years	972	904
Repayable wholly or partly in more than 5 years	230	366
Recycled Capital Grant Fund	-	-
	1,203	1,270

9. Surplus on ordinary activities before taxation

Surplus on ordinary activities before taxation is stated after charging/(crediting):

	2021	2020
	£'000	£'000
Depreciation of property	1,195	1,243
Depreciation other tangible fixed assets	61	68
Surplus on disposal of fixed asset	583	458
Audit fees:		
Statutory audit	11	13
Operating lease rentals	83	57

10. Sale of properties not developed for outright sale

	2021	2020
	£'000	£'000
Proceeds of sale	712	530
Less: cost of sales	(129)	(72)
Surplus on disposal	583	458

11.Taxation

Because of its charitable objectives, the Association is exempt from tax on its income from investments, revenue account surplus and surplus on sale of properties provided they are applied for charitable purposes.

12. Tangible fixed assets – housing properties

	Completed Housing properties	Completed Shared Ownership properties	Short Leasehold properties	Housing properties in under Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 31 March 2020	83,589	3,513	687	4,407	92,196
Additions	101	23	-	6,785	6,909
Components capitalised	283	-	-	-	283
Components written off	(86)	-	-	-	(86)
Transferred to stock	7,738	-	-	(7,738)	-
Disposals	(60)	(71)	-	(1)	(132)
At 31 March 2021	91,565	3,465	687	3,453	99,170
Depreciation					
At 31 March 2020	10,816	-	210	-	11,026
Charge for the year	1,112	-	84	-	1,196
Written off components	(11)	-	-	-	(11)
Disposals	(86)	-	-	-	(86)
At 31 March 2021	11,831	-	294	-	12,125
Net book value					
At 31 March 2021	**79,743**	**3,465**	**393**	**3,453**	**87,045**
At 31 March 2020	72,773	3,513	477	4,407	81,170

13.Property, plant and equipment

	Furniture and Equipment	Motor Vehicles	Total
	£'000	£'000	£'000
Cost or valuation			
At 31 March 2020	852	40	892
Additions	234	-	234
Disposals	-	(17)	(17)
At 31 March 2021	1,086	23	1,109
Depreciation			
At 31 March 2020	634	24	658
Charge for the year	53	8	61
Disposals	-	(14)	(14)
At 31 March 2021	687	18	705
Net book value			
At 31 March 2021	**399**	**5**	**404**
At 31 March 2020	218	16	234

14. Debtors - amounts falling due within one year:

	2021	2020 (restated)
	£'000	£'000
Rent Debtors	430	420
Provision for bad debts	(131)	(142)
Net Rental Debtors	299	278
Other debtors	123	89
	422	366

15. Creditors – amounts falling due within one year

	2021	2020 (restated)
	£'000	£'000
Bank loans and overdrafts (see note 16)	972	904
Trade creditors	574	638
Rents received in advance	175	178
Other taxation and social security	-	-
Accruals and deferred income	1234	517
Other Creditors	2	2
Capital Grant	444	371
	3,401	2,610

16. Creditors – amounts falling due after more than one year

	2021	2020
	£'000	£'000
Loans	24,894	24,694
Long Term Grants	30,499	27,470
Recycled capital grant fund	476	321
	55,869	52,485

Loans are at varying rate of interest and are repayable by instalments as follows:

	2021	2020 (restated)
	£'000	£'000
In one year or less	972	904
Between one and two years	1,100	1,390
Between two and five years	4,496	7,635
In five years or more	19,298	15,669
	25,866	25,598

Allocated housing loans for completed schemes are advanced to the Association by:

Royal Bank of Scotland	13,139	13,563
Orchardbrook Ltd	727	792
Dexia Public Finance Bank	-	7,243
Triodos Bank NV	12,000	4,000
	25,866	25,598

Housing loans are secured by first fixed charges on housing properties.

Undrawn borrowings at 31 March 2021 relate to an undrawn loan balance of £5.0m (2020: £8.0m) with Triodos Bank NV and a revolving credit facility of £10.0m (2020: £0m) with Lloyds Bank. Cash and cash equivalents totalled £1.9m at 31 March 2021 (2020: £3.3m).

Recycled Capital Grant Fund	**2021**	**2020**
	£'000	**£'000**
As at 1st April	321	161
Inputs to Reserve	32	283
Grant recycled	123	(123)
Interest Accrued	-	-
As at 31st March	476	321
Amounts 3 years old or older where repayment may be required	161	38

17. Pension Obligations

The Association contributes 6% of employee salaries into personal pension schemes on their behalf. The amount contributed was £59,054 (2020 £53,850).

The Chief Executive participates in the scheme on the same terms as all other eligible staff. No enhancement or special terms apply.

18. Non Equity Share Capitals

	2021	**2020**
	£'000	**£'000**
At beginning of year	21	38
Issued during the year	3	-
Cancelled during the year	-	(17)
At end of year	24	21

The shareholders do not have the right to any dividend or distribution on a winding up. Each shareholder has full voting rights.

19. Financial commitments

	2021	2020
	£'000	£'000
Contracted for but not provided for	5,714	3,118
Approved by the directors but not contracted for	-	2,033
As at 31st March	5,714	5,151

Capital commitments are funded by a mixture of private loans, RCGF and cash reserves. Capital commitments authorised since 31 March 2021 amount to £5.7m. Next Step Accommodation Program (NSAP) partially completed in June with the final units completing in August 2021 and Lower Ashley Road by Autumn 2022. Staple Hill Road completed on the 9th April 2021. There are performance conditions attached to the receipt of grant for the NSAP project.

20. Housing Stock

	2020 Units	2021 Units
Managed by Solon		
General Needs	977	977
Affordable Rent	136	107
Intermediate Rent	1	1
Temporary Social Housing	23	24
Supported Housing	20	20
Commercial properties	2	2
Leasehold (100% staircased out)	1	1
Shared Ownership	63	66
Total Owned Housing units	**1,223**	**1,198**
Managed by others		
Supported Housing	89	89
Temporary Social Housing	35	17
Sub-Total	124	106
Total No units	**1,347**	**1,304**
Units in Development	**42**	**52**

21. Operating Leases

	2021	2020
Office buildings, lease expiring:	**£'000**	**£'000**
- Between one and five years	-	57
	-	57

22. Related Parties

Tenant Board members (when applicable) hold tenancies on normal terms and are not able to use their position to their advantage.

Related Party	Payments Made		Payments received	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
United Communities Housing Association	47	-	30	-

As at year end £40k of the £47k invoiced from United Communities was outstanding. Of the £30k invoiced to United Communities £28k was outstanding as at year end.

On the 1st April 2021 Solon South West Housing Association transferred its engagements to United Communities Housing Association, who at that date changed its name to Brighter Places. Prior to the transfer of engagements the two associations entered into a Strategic Alliance on 1st October 2020. The Strategic Alliance formally brought the two organisations closer together including the appointment of a joint Chief Exec and joint Transformation Director. United Communities charged Solon for a 50% proportion of the salary of the joint CEO and Board Members. Solon charged United Communities for 50% of the salary of the joint Transformation Director.

23. Deferred Capital Grants

	2021	2020
	£'000	£'000
At start of year	27,841	26,761
Grant received in the year	2,048	1,166
Grant receivable in the year	1,531	568
Grant on disposals transferred to RCGF	(33)	(283)
Grant recycled on new homes transferred from RCGF	-	-
Released to income in the year	(444)	(371)
At end of year	30,944	27,841
Due to be released in less than one year	444	371
Due to be released in greater than one year	30,500	27,470
	30,944	27,841

Grant and Financial assistance	2021 £'000	2020 £'000
The total accumulated government grant and financial assistance received or receivable at 31st March	41,811	38,264
Held as deferred capital grant	30,944	27,841
	10,867	10,423

24. Analysis of Change in Net Debt

	As at 31 March 2020 £'000	Cash Flows £'000	Finance Lease £'000	Other non-cash changes £'000	As at 31 March 2021 £'000
Cash and cash equivalents					
Cash	(3,312)	1,398	-	-	(1,914)
Treasury Deposits	-	-	-	-	-
Total cash and cash equivalents	**(3,312)**	**1,398**	**-**	**-**	**(1,914)**
Borrowings					
Debt due within 1 year	904	68	-	-	972
Debt more than 1 year	24,694	200	-	-	24,894
Total Borrowings	**25,598**	**268**	**-**	**-**	**25,866**
Net Debt	**22,286**	**1,130**	**-**	**-**	**23,952**

25. Post Balance Sheet Events

Following initial merger discussion between the Boards of Solon South West Housing Association and United Communities throughout 2019/20, both organisations entered into a Strategic Alliance on 1st October 2020. The Strategic Alliance formally brought the two organisations closer together including the appointment of a joint Chief Exec and joint Transformation Director. The Boards also worked closer together with overlapping meetings and a number of Board members who were members of both organisations. The Strategic Alliance was a steppingstone to a full legal merger, and this was achieved on 1 April 2021 when the two organisations merged to become Brighter Places.