United Communities Limited

Financial statements

For the year ended 31 March 2020

Co-Operative and Community Benefit Societies Act Number: 25495R

Regulator of Social Housing Number: L3758

Contents

Board Members, Executive Officers, Company Information

Board Members		Date From	Other Committee Membership	Board Meeting Attendance No.	Total		Remuneration
J Taylor	Chair	Nov 15	◆	8	8	100%	£6,040
F Greenway	Chair of A&RC, Co-optee	Jan 20	■	4	4	100%	£929
S Wigmore	Vice Chair	Mar 13	■	8	8	100%	£2,530
P Hassan		Sep 18	■	7	8	88%	£1,858
J McGoldrick	Chair of G&RC	Mar 12	◆	7	8	88%	£3,716
S Talbot-Williams		Sep 19	◆	6	6	100%	£1,080
M Rogers		Sep 18	■	7	8	88%	£1,858
M Halloran		Sep 19	■	6	6	100%	£929
L McAllister-Jones		Sep 19	◆	4	6	67%	£1,025
A Klimczak	Interim Chief Exec	Sep 19		6	6	100%	
S MacDonald	Independent	Sep 18	◆	2	2	100%	-
Changes during the year							
N Evans	Resigned Nov 19	Mar 13	■	3	5	60%	£2,474
J Evans	Resigned Jan 20	Mar 12	■	3	5	60%	£1,394
O Goldsworthy	Resigned Sep 19	Nov 16		2	3	67%	
S Ghuman	Resigned Aug 19	Sep 18	◆	1	1	100%	-
A Willis	Resigned Sep 19	Oct 15	◆	3	3	100%	£2,776

Key:

G&RC	*Governance and Remuneration Committee*
A&RC	*Audit and Risk Committee*
◆	*Governance and Remuneration*
■	*Audit and Risk Committee*

Board Members, Executive Officers, Company Information

Executive Officers	
Interim Chief Executive	A Klimczak (Appointed 1 September 2019)
Interim Finance Director & Company Secretary	S Kellock (Appointed 3 September 2019)
Development and Investment Director	S Gilbert
Operations Director	D Bull
Head of HR and OD	S Wilcox (Appointed 1 January 2020)

Changes during the year

Chief Executive	O Goldsworthy (Resigned 30 September 2019)
Finance Director & Company Secretary	A Klimczak (Seconded 1 September 2019)
HR Manager	S Mason (Resigned 30 June 2019)

Company Information	
Registered Office	Eden House, 10 Eastgate Office Park, Eastgate Rd, Bristol, BS5 6XX
Registered number	Registered as a charitable social landlord under the Co-operative and Community Benefit Societies Act 2014, No: 25495R. Registered by the Regulator of Social Housing, No. L3758.
Independent Auditor	Mazars LLP, 45 Church Street, Birmingham, B3 2RT
Principal Solicitors	Trowers & Hamlins LLP, 55 Princess Street, Manchester, M2 4EW
Principal Bankers	NatWest PLC, 3 Temple Back East, Temple Quay, Bristol, BS1 9BW

Report of the Board

The Board presents its report and the audited consolidated financial statements for the year ended 31 March 2020.

Principal activities

United Communities Limited ('UC', 'the Association') is a not-for-profit registered provider of social housing and is administered by a Board of 11 members. We are a community-based housing association managing over 1,800 homes in the wider Bristol area and Swindon. The vast majority of our homes are for general social housing residents, but we also have a number of shared ownership homes.

At UC, we are committed to delivering **More Than Just a Roof** for all our customers. This means going the extra mile and striving to have a positive impact on all our residents' lives by providing good quality homes, a great service and vibrant communities.

UC was formed on 17th July 2017, following the Transfer of Engagements from Bristol Community Housing Foundation to United Housing Association which was subsequently renamed United Communities.

UC's Group includes Bristol Living Limited, a subsidiary whose principal activity is owning and managing photo-voltaic cells (solar panels) installed on the roofs of 129 properties.

Board and governance

The Board members who served during the period are shown on page 3. At the date of these financial statements, UC's Board has 11 members.

Our Executive Officers are listed on page 3. With the exception of the Chief Executive, they are not members of the Board. They act as an executive 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 Senior Leadership Team, along with details of the highest paid officer, is detailed in Note 9 of these financial statements.

Committee structure

There are two formal Committees – the Audit and Risk Committee (A&RC) and Governance and Remuneration Committee (G&RC). 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&RC for the detailed oversight of risk management arrangements and the review of the work plan and outputs from internal and external audit. The role of the G&RC is to ensure that the organisation adopts appropriate and effective remuneration policies in the appointment of the Board and employment of the Chief Executive, Senior Leadership team and all staff alongside ensuring effective and compliant governance in line with the appropriate Codes of Governance.

Meetings during the year ended 31 March 2020	
Board	7
Audit & Risk Committee	3
Governance & Remuneration Committee	2

Appointment of Board members

Board members are appointed in a formal process which includes:

- completing an application form;
- attending a Board meeting as an observer; and
- attending an interview with a panel of Board members, residents and Executive Officers .

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 UC and those who it seeks to serve. They must not use their position to obtain personal gain of any sort. On an annual basis we undertake a self-assessment to ensure we comply with all the provisions in the National Housing Federation's (NHF) Code of Conduct for Board Members, Staff and Residents.

Membership policy

It is UC's policy to encourage a limited number of key stakeholders, including tenants, to become shareholding Members because this:

- adds value to UC by drawing on a wider pool of expertise and knowledge;
- means the Board has to justify its actions to an informed group of shareholders;
- develops a group of people, interested in UC and from whom new Board Members can be drawn; and
- can help increase accountability to the community and other stakeholders.

Members can raise issues and vote at the Annual General Meeting and other General Meetings. All Board members are required to become shareholding members. 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 UC's constitution.

Internal controls assurance

The Board has 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 can only provide reasonable, and 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. This approach includes the regular evaluation of the nature and extent of the risks to which UC is exposed.

The process for identifying, evaluating and managing the significant risks faced by UC is ongoing and has been in place throughout the period commencing 1 April 2019 up to the date of approval of the financial statements. The Board receives and considers reports from management on these risk management and control arrangements on a periodic basis.

Report of the Board

The arrangements adopted by the Board in reviewing the effectiveness of the systems of internal control, together with some of the key elements of the control framework include:

- *Identifying and evaluating key risks*

UC's risk management strategy, setting out the Board's attitude to risk in the achievement of its objectives, underpins the risk management, business planning and control arrangements. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks. The Chief Executive is responsible for reporting to the Board any significant matters affecting key risks. The Strategic Risk Register (SRR) is the reporting tool for the Board to assure itself (gain confidence based on evidence) about the successful delivery of the strategic objectives. On a quarterly basis, the Board reviews the SRR. The A&RC reviews the operational risk register on a quarterly basis and will recommend any relevant risks for escalation to the SRR.

- *Control environment and internal controls*

The processes to identify and manage the key risks to which UC is exposed are an integral part of the internal control environment. Such processes, which are reviewed annually and revised where necessary, include strategic planning, staffing resource, performance monitoring, control over developments and the setting of standards and targets.

- *Information and reporting systems*

Financial accounting and reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years that are reviewed and approved by the Board and monitored throughout the year. The Board also receives regular performance information relating to development and housing management activities.

- *Monitoring arrangements*

It is the responsibility of the A&RC to make recommendations to the Board to ensure that appropriate arrangements are implemented to monitor UC's control environment. PWC are the Association's internal auditors and they have undertaken reviews during the year around office health and safety compliance, procurement policy and procedure together with service charges and the contracts register.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the A&RC to regularly review the effectiveness of the system of internal control. The Board receives a report and minutes from each meeting of the A&RC.

Health and Safety

UC is committed to its health and safety and welfare obligations and complies with relevant health and safety legislation. UC 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

No donations were made during the year (2019: £nil).

Directors' insurance

UC's Board members and officers have personal liability insurance through the organisation's membership of the National Housing Federation. Cover was in place throughout the year and no claims were made.

Report of the Board

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

Mazars LLP were re-appointed as auditors at the Board Meeting on 21 November 2019. They have confirmed their willingness to continue in office.

Approval

The report of the Board was approved by the Board on 23 July 2020 and signed on its behalf by:

Susan Kellock, Interim Company Secretary / Finance Director

What we do

United Communities Limited was formed when Bristol Community Housing Foundation (BCHF) transferred its assets and liabilities to United Housing Association (UHA) on 17th July 2017. The Transfer of Engagements formalised the Strategic Alliance under which UHA and BCHF have been operating since 2013 managing just over 1,800 properties in Bristol and surrounding areas.

BCHF was established in the late 1990s to undertake the replacement of 630 defective Parkinson Reinforced Concrete houses on the Upper Horfield estate in North Bristol by forming an innovative partnership with Bristol City Council (BCC) and Bovis Homes Limited.

UHA was formed in 1986 with the primary objective of advocating and providing good quality, affordable housing and related services for the black and minority ethnic (BME) community in Bristol. It was set up because the needs of the BME community were not being met satisfactorily by the local authority or existing housing associations.

By formally bringing BCHF and UHA together as United Communities Limited, the organisation was able to realise financial capacity which enabled us to build over 100 more homes in the period to 2022, than could have done if the organisations remained separate.

UC manages just over 1,800 properties with the vast majority at general needs social rents.

Vision and Business Aims

In July 2019 our new Business Plan 'United Futures' was approved by the Board and published. The Business Plan was written in consultation with Board members, staff and customers and covers the five years, 2019-2024. UC's purpose is to deliver 'more than just a roof' and have a positive impact on residents' lives by providing great homes and communities across the wider Bristol area. Recognising our challenging operating environment, the plan sets out our continued desire to innovate, improve and collaborate whilst retaining our financial stability.

Our 'more than just a roof 'vision for 2024 is:

- More… Homes- completing 550 new homes plus 150 in partnership with others;
- More… People power – Residents and staff have a strong role in decisions and co-production of services;
- More… Improved Customer Satisfaction- Residents will report that they are happy with our service and can access it when they want;
- More… Quality homes – Residents say they feel proud of the standard of their homes and communities; and
- More… Resilience- Robust governance and financial strength will underpin the work set out in this plan.

Strategic Report

Our progress during the year against key priorities is as follows:

More Homes	Progress in 2019/20
Deliver a mix of affordable rented + shared ownership homes, completing 550 by 2024	• As at 31st March 2019, 37 of these units have been completed, with a further 31 units completed in 2019/20. The firm pipeline has identified a further 390 properties against the target. 127 of these are in contract with land secured for a further 146 units.
Strengthen our role in community-led developments to empower local residents and bring forward land for new homes.	• UC is leading on three community led developments - Shaldon Road (on site), Astry Close and Marshfield (planning) • UC is also involved in the Glencoyne Square regeneration project in partnership with Southmead Development Trust and Yarlington.
More People Power	**Progress in 2019/20**
Residents will get individual support to thrive in their homes and community via our 'More Than' approach.	• Futures Bright career coaches currently have a case load of 117 clients including UC residents. • Tenancy impact currently has 26 open cases. 11 cases have been closed this year with tenancies sustained.
More Improved Customer Satisfaction	**Progress in 2019/20**
Deliver a responsive, easy to access service, to bring high levels of customer satisfaction	• We are now carrying out quarterly customer satisfaction surveys and following up with all comments. This feedback is being reported back to staff teams and being used to design services.
Provide a repairs service that is easy to use and delivers both quality and choice.	• The most recent customer satisfaction survey results collated by HRS for UC resident s is Q2 90% and Q3 89%.
Service charges will be high quality, good value for money and well managed	• The Service Charge Review was completed by 1 April 2020 and satisfaction is being monitored via the STAR tracker survey. Initial satisfaction survey for value for money was 69% which was an increase of 12% from the previous year's survey. • Service charges for 2020/21 have reduced.
More Quality Homes	**Progress in 2019/20**
Deliver updated homes that meet resident expectations for the 2020s	• Two further pilots are underway on void properties with the proposed "Good as New Standard".

More Resilience	Progress in 2019/20
Make sure that the way we run things remains strong and that we keep pace with changes in regulation.	• Regulatory Judgement published in November 2019 confirming UC's rating as V1/G1.
Sustain our operating margin to maximise our financial power to build new homes and invest in More Than.	• Operating margin for 2019/20 is 31.3% against sector median of 25.8% and peer median 20.3%. • Budgeted operating surplus in 2020/21 is 29.5%. • Gearing ratio as at 31.3.20 is 36% against a sector median of 43% and peer median of 34%
Drive down the cost of our debt so that our surpluses go further.	• EBITDA – MRI for 2020/21 is budgeted to be 185%. Current performance in 2019/20 is 241% • Average cost of finance continues to sit below 4%.
Be open to partnerships that offer a step change in the quality of our customer services for residents.	• Merger discussions well advanced with Solon South West.

Merger Discussions

During 2019/20 the Boards of United Communities and Solon South West Housing Association have considered an outline Business Case for merger. The outline 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.

During the last year, considerable progress has been made to develop the Final Business Case for merger. A Shadow Board made up of an equal number of Board Members appointed from both associations will be set up with James Taylor as interim Chair from September 2020.

A Resident's Panel made up of tenants from both associations was established and they have been involved in developing a new improved customer service proposal which will be circulated to all residents for comment alongside the merger consultation. As this report goes to print both individual Boards have approved progressing the merger and it is hoped that the legal formalities will be completed before the end of 2020/21.

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.

During 2019/20, UC continued to participate in the Sector Scorecard, a tool for measuring efficiency within the sector by looking at several key indicators. A number of these metrics have been adopted by the Regulator as the 'Value for Money Metrics'.

The table below details UC's group performance against both the Value for Money Metrics as well as the Sector Scorecard indicators. UC benchmarks performance using the latest Global Accounts published by the Regulator of Social Housing, the Sector Scorecard and Housemark. 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.

Value for Money Metrics

Reinvestment %	**2018/19**	**2019/20**	**2019/20 Target**	**Sector Median (all)**	**Peer Median**
This metric looks at UC's investment in properties including existing stock and new stock. This is calculated as a percentage of value of total properties.	2.0%	18.5%	15.0%	6.2%	4.3%

The reinvestment % for UC at 18.5% is above both the sector median of 6.2% and the peer median of 4.3% and exceeds our target for 2019/20. As planned, progression of the development pipeline contributed to the positive direction of travel. The reinvestment % includes major repairs, our unit cost for 2019/20 of £444 remains below the sector median of £720 but matches the planned long-term profiled investment.

Investment in existing homes
The lower investment in existing stock is in large part due to a significant proportion of our stock not yet triggering any component replacements due to age. These properties are between 10 and 15 years old and as such have not yet required new kitchens, bathrooms, windows and doors. As these properties become older, our investment will increase.

Even taking the above into account, we recognise that we need to invest more effectively in our existing stock, particularly the legacy United Housing Association properties. The commissioning of external consultants to undertake stock condition surveys on of our stock, commenced in 2018/19 and continues with the final 30% in 2020/21. Using this data, in addition to the stock information we already hold, we have a comprehensive 5-year investment programme of component replacement.

Investment in new properties
During 2019/20, UC invested £16.76m into developing new properties. This includes contractors on site on two schemes to build 67 rent and 60 shared ownership homes at Elderberry Walk (Dunmail) and Shaldon Road. Land acquisition and any required demolition has been undertaken at Speedwell Road, Oldbury Court, Midland Road, and Luckwell Road. These sites will provide a further 146 homes.

<u>Performance against target</u>
The target for reinvestment in 2019/20 was 15%. The target was set based on delivering the development pipeline and has been met in the current year. Note, post balance sheet there has been a delay in the current development pipeline resulting from business interruption resulting from COVID 19.

New supply delivered (social housing) as a % of total stock	**2018/19**	**2019/20**	**2019/20 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 UC does not develop non-social units.	0%	1.7%	1.2%	1.5%	0.6%

Performing well against benchmarks for the sector, UC has an ambitious development programme with an aspiration to deliver 550 new affordable homes by 2024, consisting a mix of affordable rented and shared ownership homes built by UC and 150 " off balance sheet" ethical market rent homes.

As at 31st March 2019, 37 of these units have been completed, having been completed in 17/18, with a further 31 units completed in 2019/20. The firm pipeline has identified a further 390 properties against the target. 127 of these are in contract with land secured for a further 146 units.

Performance against target

As the firm pipeline progresses this metric is expected to increase. Actual new supply delivered in 2019/20 was 1.7% against a target of 1.2%.

Gearing %	**2018/19**	**2019/20**	**2019/20 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.	35.7%	36.0%	44.0%	43.4%	34.1%

Gearing at 36.0% is lower than the sector median at 42.9% but slightly higher than the peer median of 34.1%.

During the year, UC drew the £10m THFC bond facility, repaying the Orchardbrook loan and restating the Santander facility from £6.5m to £10m.

UC currently has £57.9m of drawn loan facilities with a further £27.m of facilities arranged and undrawn. The £27m will be drawn over the next 24 months to fund the development programme. As this debt is drawn, gearing will increase.

Performance against target

The 2019/20 target was set based on the organisation drawing of available facilities to fund the development programme. Due to delays in the programme, these drawdowns were not required, hence actual gearing is lower than target.

EBITDA – MRI	**2018/19**	**2019/20**	**2019/20 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 UC is generating surplus cash over and above interest payments	235%	241%	172%	184%	194%

EBITDA-MRI (earnings before interest, tax, depreciation and amortisation including major repairs) as a % of interest has increased from 2018/19 and continues to remain above the sector median of 184%. The improvement above target results predominantly from additional income generated by staircasing of shared ownership homes.

Performance against target

Actual performance at 241% is above the target we set at the start of the year. Actual interest payable is higher than budgeted due to the drawn down of THFC facility, but this is against an improved operating margin due to staircasing sales.

Headline social housing cost per unit (£)	**2018/19**	**2019/20**	**2019/20 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	£3,060	£3,274	£3,024	£3,690	£4,880

The headline social housing cost per unit has increased slightly (7%), from the 2018/19 unit cost. The social housing cost per unit is split out into constituent parts detailed below on pages 16 and 17.

The increase in cost per unit is largely due to investment in staffing costs and additional agreed Home repairs service costs. In additional cost have been incurred in relation to the proposed Merger with Solon South West Housing Association.

UC performance is below both the sector and peer median (meaning that we have a lower unit cost) – the higher maintenance costs per unit compared to the sector median has been offset by lower major repairs costs per unit which represents our capital component spend.

Performance against target

The actual headline unit cost is higher than target primarily due to higher than budgeted spend within repairs and maintenance together with additional staffing and merger costs.

Operating Margin % Social Housing	**2018/19**	**2019/20**	**2019/20 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	31.5%	28.1%	26.8%	29.2%	23.3%

Our social housing operating margin has decreased from 31.5% in 2018/19 to 28.1% in 2019/20. This is slightly below the sector median but when comparing to peer median, performance is good.

Turnover from rent has remained relatively consistent with prior year however planned increases in Homes repairs service costs and additional planned staffing increase resulted in a fall in social housing operating margin.

Performance against target

Actual performance is better than target performance.

Operating Margin % Overall	**2018/19**	**2019/20**	**2019/20 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	35.2%	31.0%	28.4%	25.6%	20.3%

The overall operating margin at 31.0% has decreased from the previous year due to additional planned costs within social housing costs; these are in the areas of homes repairs service and planned staffing costs. In addition, this margin includes surplus on the sale of first tranche shared ownership of which there were none in 2019/20. Performance exceeds that of the sector median and is significantly better that the comparative peer median.

Performance against target

Actual performance is better than targeted performance.

Return on capital employed (ROCE) %	2018/19	2019/20	2019/20 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	3.3%	2.9%	2.1%	3.8%	3.1%

Return on capital employed has decreased slightly in 2019/20 due to a lower operating and a higher net assets position. The Return on capital employed achieved is broadly comparable to the peer sectors performance but lower than the sector.

<u>Performance against target</u>
Actual performance is above target.

Other Metrics – Sector Scorecard and UC Specific

Development – Capacity and Supply

Units at 'in contract' stage	2018/19	2019/20	Target	Sector Median
This metric demonstrates how we are moving towards our 550 new homes target	160	127	332	N/A

At the end of 2019/20, UC had entered contract on two developments totalling 127 UC units; Elderberry Walk (77) and Shaldon Road (50).

Following land purchase and demolition, the following sites are also ready for development: Luckwell Road (67), Oldbury Court (16), Speedwell Road (13) and Midland Road (50). Due to COVID 19, there was a delay in signing the Luckwell contract and higher than anticipated tender value on Midland Road has caused delay.

<u>Performance against target</u>
Actual performance is below target due delays in contract signing.

Outcomes Delivered

Customers satisfied with the service we provide	2018/19	2019/20	Target	Sector Median
This metric brings in the customers perspective – to what extent are our customers satisfied with the service we provide	78%	77%	85%	87.5%

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 dropped from 78% in 2018/19 to 77% in 2019/20.

Improving Customer satisfaction is a key outcome for the strategic plan to 2024, 'United Futures', to ensure good quality customer services that are easy to access. Star data collection is being used to support improvement in this area. Overall customer satisfaction in the most recent quarterly survey shows and improving position at 81%.

<u>Performance against target</u>
The customer satisfaction target applied and set out in UC's strategy, 'United Futures', is 85%, to be achieved by 2024. Performance against target is improving in 2020/21 with the latest survey showing a satisfaction level of 81%.

£ spent on More Than activities	2018/19	2019/20	Target	Sector Median
A priority in our strategic plan "United Futures" is to spend up to 20% of our net surplus on more than activities; this metric measure that spend	£260k	£222K	£160k	N/A

Our 'More than' approach is about having a positive impact on residents' lives. This is achieved through investing in opportunities through business and in our communities.

Performance against target

In 2019/20, we outperformed our target of £160k, to the benefit of our communities.

Number of residents individually supported to thrive with 'more than' approach	2018/19	2019/20	Target	Sector Median
A priority in our strategic plan "United Futures'" is to support to find or improve their work to enable tenancy sustainment	82	89	85	N/A

Following our strategic change in focus to the Future's Bright scheme, the Career coaches have 89 current cases being offered specialist advice and support for residents to improve their employment opportunities.

Performance against target

The Futures Bright scheme has enabled us to work with 89 residents to support them into better jobs.

Effective Asset Management

Occupancy	2018/19	2019/20	Target	Sector Median
This measure demonstrates how efficient we are at turning around empty (void) stock	99.9%	99.6%	99.5%	99.4%

We continue to turn properties around quickly and have retained our occupancy percentage at 99.6%, above the sector median. The average turnaround for re-letting our properties in 2019/20 was 20 days, higher than our target of 15 days.

Performance against target

Actual performance is in line with target.

Ratio of responsive repairs to planned maintenance spend	2018/19	2019/20	Target	Sector Median
This measure shows how we are allocating funds to planned maintenance as opposed to responsive repairs	171%	137%	123%	61%

This indicator reflects where we are in our component replacement programme where approximately 40% of our properties have not yet triggered any replacements due to age. The % has increased from prior year due to the increased repairs costs (further detail in maintenance unit cost section).

Performance against target

Actual performance at 137% is an improvement on the previous year, but still above our desired target of 148%.

Net proceeds from shared ownership stair-casing	2018/19	2019/20	Target	Sector Median
Shared ownership stair-casing brings in additional income to the organisation which can be reinvested	£351k	£265k	£200K	N/A

Five shared ownership properties were stair-cased in the year, with four stair-casing to full ownership, 100%.

Performance against target
Net proceeds from shared ownership stair-casing has out-performed target by £65k. This means that more income has been generated which can be reinvested in new developments.

Operating Efficiencies

Management cost per unit	2018/19	2019/20	Target	Sector Median
This metric shows UC's cost per unit incurred in managing our properties	£772	£842	£790	£1,024

Management costs per unit have increased in 2019/20 from £772 to £842. This increase is primarily due to additional staffing costs. Management costs are below the sector median however we do not think that this has adversely impacted the service and our arrears continue to be in line with sector median.

Performance against target
Performance sits above target due to additional staffing costs.

Service charge cost per unit	2018/19	2019/20	Target	Sector Median
This metric shows UC's service charge cost per unit	£281	£253	£227	£332

Service charges have reduced from prior year and now sit below the sector median.

Performance against target
Actual performance sits above target due to a reallocation of overheads at year end.

Maintenance cost per unit	2018/19	2019/20	Target	Sector Median
This metric shows UC's average maintenance cost per unit including responsive repairs and planned revenue repairs (over £500 per repair)	£1,429	£1,541	£1,405	£907

The maintenance cost per unit has increased by £112 (8%) per unit since last year and performance still remains above the sector median of £907.

During the year, additional overhead costs were incurred in relation to the homes repairs services and a Repairs Contract Manager was also appointed to monitor the service. March also saw an impact of COVID 19 on services provided which resulted in additional charges being applied impacting on the cost per unit over the year.

Performance against target
Actual performance is above target.

Major repairs cost per unit	**2018/19**	**2019/20**	**Target**	**Sector Median**
This metric shows UC's average component replacement cost per unit	£379	£444	£398	£720

Major repairs relate to our capital component replacement scheme which at £444 per unit is significantly lower than the sector median. We plan our component spend over a 35 year period in line with expected lives and we also use data obtained during stock condition surveys to update the programme with required works. Our strategy is only to replace components based on their condition rather than age. Our component spend has historically been lower than the sector median primarily due to the age of our properties. Our stock has not yet triggered any component replacements due to age. These properties are between 10 and 15 years old and as such have not yet required new kitchens, bathrooms, windows and doors. As these properties become older, our investment will increase.

Performance against target

Actual major repairs spend is above target.

Other social housing cost per unit	**2018/19**	**2019/20**	**Target**	**Sector Median**
This metric shows any other costs not included in the above categories	£196	£193	£204	£186

This relates to payments on our leased properties and bad debt. We have 84 properties on 35-year leases from other housing associations and have a commitment to pay an annual lease charge.

Performance against target

Actual performance is better than target.

Rent arrears	**2018/19**	**2019/20**	**Target**	**Sector Median**
This shows how effective we are at collecting rents due.	98.79%	97.4%	97.0%	99.9%

UC rent arrears collection rate has decreased from previous year and continues to sit below the sector median %. Arrears as a % have increased decreased from 2.66% in 2018/19 to 2.60% in 2019/20.

Performance against target

Actual collection rate is lower than target although arrears continue to remain below our strategy target of 3%.

Overheads as a % of adjusted turnover	**2018/19**	**2019/20**	**Target**	**Sector Median**
This indicates whether the organisation has high overheads. If high, this could indicate that there are cost savings to be made in UC	10.6%	7.3%	8.2%	12.0%

Overheads have decreased slightly from the previous year 2018/19 and remain below the sector median of 12%.

Performance against target

Actual overheads show a positive movement against target.

Financial review

The Statement of Comprehensive Income for the year ended 31 March 2020 and the Statement of Financial Position at 31 March 2020 are shown on pages 29 and 30. The key financial highlights for the group are as follows:

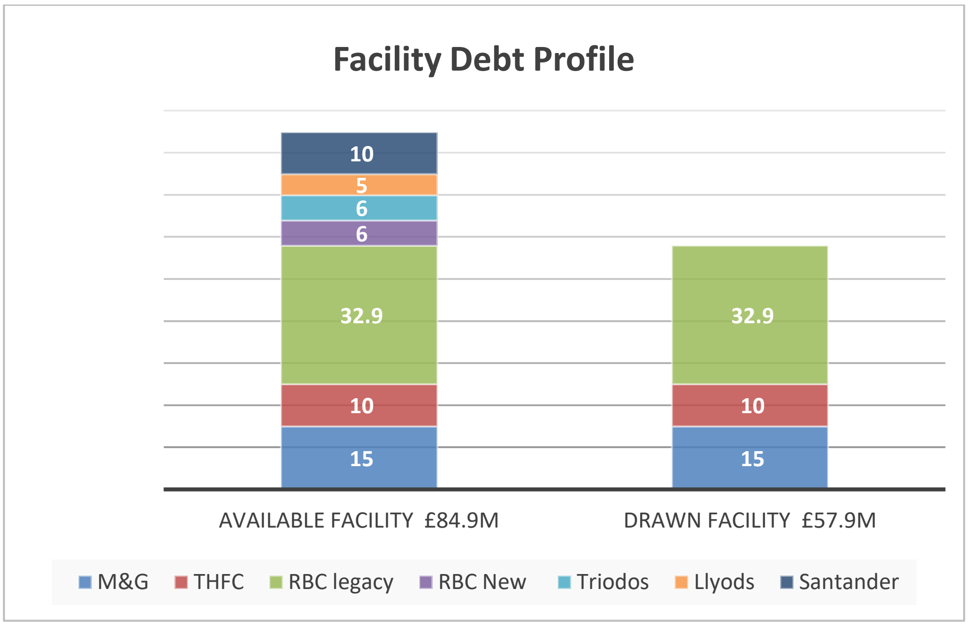
- The Total comprehensive income for the year of £1,816,000 represents a £321,000 or 21.5% increase from 2019 result of £1,495,000. This, however, masks a significant swing in the actuarial value of the pension scheme bearing a loss in 2019 but indicating surplus in 2020. The surplus for the year before pension adjustments reflects a fall from £2,071,000 in 2019 to £1,098,000 in 2020, a £973,000, 46.9% fall. Included within the £973,000 fall in surplus are (i) £278,000 due to increasing financing costs, (ii) no shared ownership sales in 2020 compared to £632,000 (14 units) in 2019.
- Turnover of £10,660,000 (2019: £11,707,000) represents a decrease of £1,047,000. Most of this movement, £1,334,000 relates to 2019 shared ownership sales as referred to above.
- The operating surplus for the year of £3,453,000, 31.0% (2019: £4,303,000, 35.2%) represents a decrease of £1,014,000 on the prior year operating surplus. Adjusting for the shared ownership sales in 2019 the decrease in operating surplus becomes £91,000. With the revised operating margins being to 31.0% (2020) and 33.8% (2019). The decrease in operating margin is primarily as a result of an increase in operating expenditure.
- Interest and financing costs for the year to 31 March 2020 of £2,575,000 (2019: £2,297,000) represents an increase of £278,000. Additional funds have been arranged in the year and the THFC facility has been drawn. This has resulted in an increase in both interest payable costs and non-utilisation fees. . There has been no significant movement in variable rates (LIBOR) in the year.
- The year-end cash position has decreased during the year with a balance of £10,468,000 at 31 March 2019 (2019: £6,973,000). Within the year there has been a repayment of £543,583 for an existing Orchardbrook loan facility. Cash held on deposit has not been utilised due to delays in the development pipeline.

Funding and Treasury

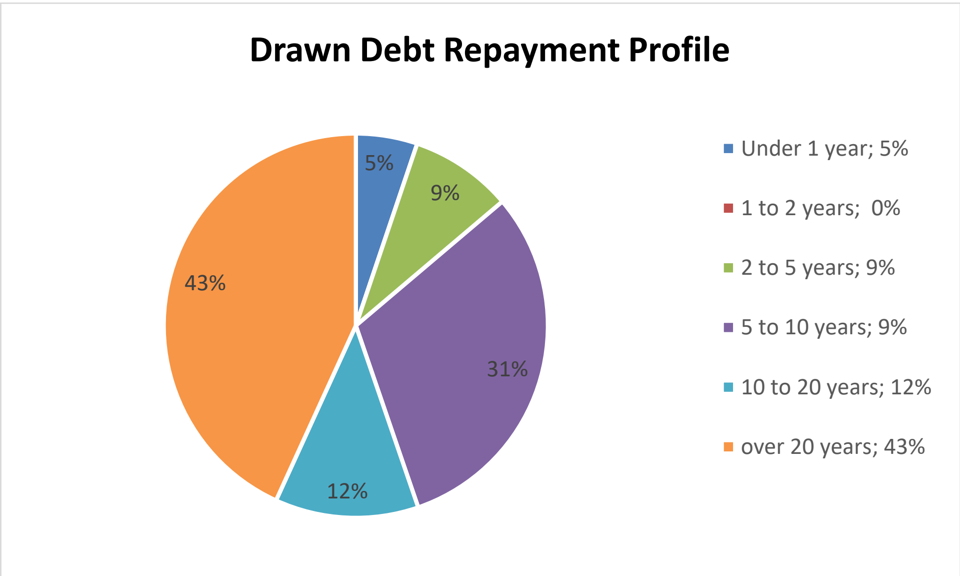
In relation to funding and Treasury activity, key lenders to the organisation are Santander, M&G, Triodos, RBS and Lloyds with Nat West our principal bank providing day to day transactional support. During the year, UC undertook the following key activities:

- Restated the current facility agreement with Santander; restating the ten-year facility with a five-year revolving period and extending the facility from £6.5m to £10m.
- Repaid the Orchard brook facility (£0.543M) releasing 81 units of security for application against the restated Santander loan.
- Following completion of security work, drew THFC bond of £10M including receipt of deferred interest premium creditor, £2.3m
- Variation letter on Tridos £6m extending availability period to Dec 2020.

Arranged facilities as at 31 March 2020 totalled £84.9m of which £57.9m were drawn; the split between lender is illustrated in the Facility Debt Profile below:



At the balance sheet date, the repayment profile of the drawn debt has 55% of the debt repayment being due after 10 year. The Drawn Debt Repayment Profile is illustrated below.



Of the total debt drawn 80% is at fixed interest rates, in line with the annually approved Treasury Policy. The Current estimates indicate a total of £40m additional funding is required over the 35-year financial plan period predominantly required for development and re-financing of existing facilities.

At the year-end there were 337 units of unencumbered units of stock, subject to satisfactory gearing and interest cover providing security head room of EUV 19.7m MVSH £37.6m.

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 the Group.

UC'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 UC's operations.

Future plans, risks and uncertainties

There were big changes to national housing policy in 2016 and 2017. The Welfare Reform Act 2016 and the Housing and Planning Act 2016 were aimed at increasing homeownership and reducing the welfare bill. These shifts in policy led to fundamental changes across the housing sector, with big implications for us, including a significant reduction in our rental income. The new 2020 Rent Standard, effective from 1 April 2020 finally ends the four years of annual reductions.

However, COVID-19 and BREXIT continue to introduce uncertainty and risk for us with regards to the impact of unemployment, the government approach to reducing the post-COVID-19 national debt and the impact on costs of new trade deals.

This, combined with the growing housing crisis, has led us to completely re-think how we can provide a good quality housing service to our residents over the next 5 years. Our Strategic Plan takes us to 2024. It is firmly based on valuing the skills and assets that residents and staff bring to United Communities, making the best use of our properties and making sure we do our bit to address the housing crisis, whilst monitoring external changes and adapting our plans accordingly.

Against this backdrop, setting aside the implication of the proposed Merger, our key priorities for the next 12 months include the following:

- Adjusting build programmes in the light of COVID-19 restrictions to achieve our commitment to deliver 550 new homes in Bristol by 2024;
- Continuing to embed our Asset Management Strategy and making good decisions about the use of our stock; and
- To continue to improve our customers' experience through new processes and potential merger with Solon.

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 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. The 1% rent reduction in place until 2020 has been followed by support of reversion back to CPI plus 1%.

the external environment.	However there continues to be uncertainty around rent levels given unforeseen changes in the external environment. Though the housing sector generally has the COVID-19 situation under control, it is unforeseen changes in our external environment where the government appears to be following an increasingly radical agenda, which could be disruptive to 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. During the year we have revisited, and stress tested our long-term financial plan. We have also undertaken extensive mitigation planning and 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 lend.
Interest rate rise impacts on the financial business plan	Timing and scale of interest rate rises could impact on budget and increased variable rate loan costs. The Bank of England response to COVID-19 has focused on reduced interest rates to stimulate the economy and these low rates are likely to be sustained in the near term. However, the situation must be monitored, and the organisation undertakes robust stress testing of the long-term financial plan to identify the impact of this, which includes modelling the impact of interest rate increases, such that appropriate mitigation can be identified early. Contingency plans are then 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	Our strategy ‘United Futures’ sets out our plan for delivering 550 new homes by 2024 against a backdrop of increasing prices and land availability. 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 had started to increase after being at historically low levels for the past several years but has fallen back in the current term due to COVID-19 lockdown and the subsequent stalling of the economy. There is potential for CPI to rise as the economy improves, but government debt provision, increased unemployment and their impact on the economy introduces considerable uncertainty. Any changes in CPI has a pressure on our costs and introduces a risk due to the rent inflation link to CPI being subject to government changes. To mitigate against the impact of this, the organisation undertakes robust stress testing of the long-term financial plan which includes modelling the impact of CPI increases. Mitigating actions are then identified including saving plans and adjustments to the planned maintenance programme.

Development and sales	Following an initial period of "lockdown" resulting from control measures introduced for COVID 19, in contract development schemes are generally back on site, although productivity is reduced 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 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 UC has sufficient working capital to finance its day to day activities and can accurately forecast future funding needs.
Credit risk	UC's principal financial assets are bank balances and cash, rent arrears and other receivables, and investments. UC'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

UC 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 UC on 13th November 2019 confirmed that 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 UC'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 "Code of governance: Promoting board excellence for housing associations (2015 edition)" and confirm that UC complies fully with the 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 Group and the Association and of the surplus or deficit of the Group and 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Association will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are 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 Group'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 Group's auditor is aware of that information.

Approved by the Board and signed on its behalf by:

Susan Kellock

Susan Kellock, Interim Company Secretary

Independent Auditor's Report to the members of United Communities Limited

Opinion

We have audited the financial statements of United Communities Limited (the 'parent association') and its subsidiary (the 'group') for the year ended 31 March 2020 which comprise the Group and the parent association's Statements of Comprehensive Income, the Group and the parent association's Statements of Financial Position, the Group and the parent association's Statements of Changes in Reserves, the Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 group's and of the parent association's affairs as at 31 March 2020 and of the group's and the parent association's surplus 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 Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

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.

Emphasis of matter – Going concern and the impact of the COVID -19 outbreak on the financial statements

In forming our opinion on the Group and United Housing financial statements, which is not modified, we draw your attention to the Board's view on the impact of the COVID-19 as disclosed in the accounting policy note on page 33 and the consideration in the going concern basis of preparation in the accounting policy on page 33.

During the latter part of the financial year, there has been a global pandemic from the outbreak of COVID -19. The potential impact of COVID -19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The impact of COVID -19 is still evolving and, based on the information available at this point in time, the Board have assessed the impact of COVID -19 on the business and reflected the Board's conclusion that adopting the going concern basis for preparation of the financial statements is appropriate.

Independent Auditor's Report to the members of United Communities Limited

Conclusions relating to going concern

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

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

Other information

The Board is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 requires us to report to you if, in our opinion:

- the parent association has not kept proper books of account, or
- a satisfactory system of control over transactions has not been maintained, or
- the financial statements are not in agreement with the 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 the Board's responsibilities set out on pages 12 and 13, 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 group's and the parent 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 group or the parent association or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the members of United Communities Limited

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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard.

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

Use of the audit report

This report is made solely to the association's members as a body in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body for our audit work, for this report, or for the opinions we have formed.

Mazars LLP

Mazars LLP

Chartered Accountants and Statutory Auditor

45 Church Street

Birmingham

B3 2RT

Date: 11 September 2020

Group and Association Statement of Comprehensive Income

At 31 March 2020

	Note	Group		Association	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Turnover	3a	10,660	11,707	10,604	11,651
Operating expenditure	3a	(7,472)	(7,696)	(7,414)	(7,640)
Surplus on disposal of property, plant and equipment	4	265	292	265	292
Operating surplus		**3,453**	**4,303**	**3,455**	**4,303**
Finance income	6	101	65	99	65
Interest and financing costs	5	(2,454)	(2,297)	(2,454)	(2,297)
Surplus for year		**1,100**	**2,071**	**1,100**	**2,071**
Initial recognition- multi employer benefit scheme(SHPS)		-	(441)	-	(441)
Actuarial gain/(loss) in respect of pension scheme		716	(135)	716	(135)
Total Comprehensive Income for the year		**1,816**	**1,495**	**1,816**	**1,495**

Group and Association Statement of Financial Position

At 31 March 2020

		Group		Association	
		2020	2019	2020	2019
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Housing properties	10	130,246	114,082	130,246	114,082
Other property, plant and equipment	12	874	885	244	217
		131,120	114,967	130,490	114,299
Current assets					
Debtors	14	1,275	13,296	1,352	13,417
Stocks	11	-	-	-	-
Investments		-	-	1,000	1,000
Cash		10,468	6,973	10,037	6,540
		11,743	20,269	12,389	20,957
Creditors:					
Amounts falling due within one year	15	(6,008)	(2,175)	(6,024)	(2,195)
Net current assets		5,735	18,094	6,365	18,762
Total assets less current liabilities		136,855	133,061	136,855	133,061
Creditors:					
Amounts falling due after more than one year	16	(66,591)	(63,931)	(66,591)	(63,931)
Defined benefit pension liability	17	(536)	(1,218)	(536)	(1,218)
Net assets		69,728	67,912	69,728	67,912
Capital and reserves					
Called-up share capital	18	-	-	-	-
Revenue reserve		66,491	64,675	66,491	64,675
Revaluation reserve		3,237	3,237	3,237	3,237
Total reserves		69,728	67,912	69,728	67,912

The financial statements were approved by the Board on 23 July 2020 and signed on its behalf by:

James Taylor- Chair

Suzanne Wigmore - Vice Chair

Susan Kellock – Interim Company Secretary

Group and Association Statement of Changes in Reserves

At 31 March 2020

	Group			Association		
	Revenue reserve £'000	Revaluation reserve £'000	Total £'000	Revenue reserve £'000	Revaluation reserve £'000	Total £'000
At 1 April 2019	64,675	3,237	67,912	64,675	3,237	67,912
Surplus for the year	1,816	-	1,816	1,816	-	1,816
At 31 March 2020	66,491	3,237	69,728	66,491	3,237	69,728

	Group			Association		
	Revenue reserve £'000	Revaluation reserve £'000	Total £'000	Revenue reserve £'000	Revaluation reserve £'000	Total £'000
At 1 April 2018	63,180	3,237	66,417	63,180	3,237	66,417
Surplus for the year	1,495	-	1,495	1,495	-	1,495
At 31 March 2019	64,675	3,237	67,912	64,675	3,237	67,912

Group and Association Statement of Cash Flows

At 31 March 2020

	2020 £'000	2019 £'000
Cash flow from operating activities		
Surplus for the year (before tax and interest)	3,453	4,303
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	2,123	2,036
Loss on sale of plant and equipment	(115)	(96)
Amortisation of social housing grant	(104)	(34)
Amortisation of leased components	5	3
Decrease in pension deficit	33	34
Decrease in inventories	-	320
Profit /(loss) on disposal	(265)	(292)
Decrease/(increase) in debtors	12,021	(10,525)
(Decrease)/increase in creditors	(12,034)	11,730
Net Cash generated by operations activity	5,117	7,479
Cash flows from investing activities		
Purchase of property	(18,166)	(2,230)
Purchase of plant and equipment		
Proceeds from sale of property, plant and equipment	265	292
Grants received	7,085	650
Interest received	84	20
Net cash flows from investing activities	(10,732)	(1268)
Cash flows from financing activities		
Interest paid	(2,189)	(2,528)
Repayments of borrowings	(698)	(5,572)
New Loans	12,168	-
Arrangement fees	(171)	(255)
Net cash flows from financing activities	9,110	(8,355)
Net increase/(decrease) in cash and cash equivalents	3,495	(2,144)
Cash and cash equivalents at beginning of year	6,973	9,118
Cash and cash equivalents at end of year	10,468	6,973

Notes to the financial statements

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

1.1 Registered Office Address

Eden House, 10 Eastgate Office Park, Eastgate Road, Bristol, BS5 6XX

1.2 General information and basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2015. United Communities is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

1.3 Going Concern

UC's activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to credit, liquidity and cash flow risk are described in the Strategic Report.

UC has considerable financial resources and, therefore, the Board believe that the organisation is well placed to manage its business risks successfully despite current uncertainties in the social housing sector.

After making enquiries, the Board have a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

It should be noted that UC are currently undertaking Merger discussions with Solon South West Housing Association, a Bristol based association of a similar size and business activity. Discussions are well advanced and subject to required agreements the merger or at least the formation of an interim strategic alliance is anticipated to take place within the next 12 months.

1.4 COVID-19

As a result of the COVID 19 pandemic that is affecting the global economy in 2020, normal budgets and long-term planning timescales lack credibility primarily due to outcomes that as yet are unknown. United Communities has undertaken significant work in revising current year budgets to take account of current known impacts, in addition the Board have reviewed an interim long-term financial plan, stress tested for as yet unknown events. This work has identified potential risk resulting from COVID-19 and enabled mitigation to be set in place. It is however noted that the short hard-hitting impact of COVID-19 can be managed within the plan, with lender covenants continuing to be met. COVID 19 does not raise any going concern issues for United Communities.

1.5 Property, plant and equipment - housing properties

<u>Initial recognition</u>

Housing properties are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and borrowing costs directly attributable to the construction of new housing properties during the development.

Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Depreciation is charged to write down the net book value of housing properties to their estimated residual value, on a straight-line basis, over their useful economic lives. Freehold land is not depreciated.

Properties under construction

For properties under construction, direct overheads, interest and incremental costs associated with new developments are capitalised. Properties under construction are not depreciated.

Shared ownership properties

The cost of shared ownership properties is split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset until sold, when the costs and related sales proceeds are included in turnover and operating costs respectively. The remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment. Sales of subsequent tranches ('stair-casing') are accounted for as a disposal of a fixed asset, with only the surplus or deficit on disposal being accounted for in the Statement of Comprehensive Income.

Major components and depreciation

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives as follows:

- Structure 100 years
- Roofs 60 years
- Doors and windows 25 years
- Kitchens 20 years
- Bathrooms 30 years
- Heating systems 15 years
- Electrical 30 years
- Lift 20 years
- Mechanical systems 20 years

Long lease Properties are depreciated over the shorter of estimated useful economic lives or lease duration.

Improvements

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any works to housing properties which do not replace a component or result in an incremental future benefit are charged as expenditure in surplus or deficit in the Statement of Comprehensive Income.

Leaseholders

Where the rights and obligations for improving a housing property reside with the leaseholder or tenant, any works to improve such properties incurred by the Association is recharged to the leaseholder and recognised in surplus or deficit in the Statement of Comprehensive Income along with the corresponding income from the leaseholder or tenant.

1.6 Non-housing property, plant and equipment

Non-housing property, plant and equipment are stated at historic cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all non-housing property, plant and equipment, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life.

Expected useful lives are as follows:

- Furniture, fixtures & fittings 5 - 10 years
- Office adaptations in line with the lease term
- Computer equipment 5 years
- Non-housing fixed asset expenditure less than £500 is not capitalised.

1.7 Investment properties

The classification of properties as investment property or property, plant and equipment are based upon the intended use of the property. Properties held to earn commercial rentals or for capital appreciation or both are classified as investment properties. Properties that are used for administrative purposes or that are held for the provision of social housing are treated as property plant and equipment. Mixed use property is separated between investment property and property, plant and equipment.

Land is accounted for based on its intended use. Where land is acquired speculatively with the intention of generating a capital gain and/or a commercial rental return it is accounted for as investment property. Where land is acquired for use in the provision of social housing or for a social benefit it is accounted for as property, plant and equipment

Investment properties are measured at fair value annually with any change recognised in surplus or deficit in the Statement of Comprehensive Income.

1.8 Impairment of social housing properties

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in surplus or deficit in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in surplus or deficit in the Statement of Comprehensive Income.

1.9 Social Housing Grant and other Government grants

Where grants are received from government agencies such as Homes England, local authorities, devolved government agencies, health authorities and the European Commission which meet the definition of government grants they are recognised when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received.

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component. Grants received from non-government sources are recognised as revenue using the performance model.

1.10 Donated land

Where a donation of land is received or land is acquired at below market value from a government source, this is accounted for as a non-monetary government grant. The difference between the fair value of the asset donated or acquired and the consideration paid for the asset is recognised as a government grant and included in the Statement of Financial Position as a liability.

Where a donation of land is received or acquisitions of land at below their market value from a third party that does not meet the definition of a government source the transaction is recognised as an asset in the Statement of Financial Position at fair value, taking account of any restrictions on the use of the asset and income equivalent to the difference between any amounts paid or payable for the asset and the fair value of the asset is recognised in surplus or deficit in the Statement of Comprehensive Income as a donation when future performance-related conditions are met.

1.11 Recycling of grants

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

For shared ownership stair-casing sales, when full stair-casing has not taken place, the recycling of the grant may be deferred if the net sales proceeds are insufficient to meet the grant obligation relating to the disposal and is not to be recognised as a provision. On subsequent stair-casing sales, the requirement to recycle the grant becomes an obligation if sufficient sales proceeds are generated to meet the obligation and a provision is recognised at this point.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is derecognised as a liability and recognised as revenue in surplus or deficit in the Statement of Comprehensive Income.

1.12 Leased assets

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

1.13 Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to surplus or deficit in the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

1.14 Interest payable

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period.

1.15 Taxation

UC is an exempt charity and is therefore not subject to Corporation tax on its charitable activities.

The Association is registered for VAT (Registration number 682622132) and recovers VAT incurred on expenditure that directly relates to sales made that are chargeable to VAT. The financial statements include VAT to the extent that it is suffered by the Association and not recoverable from HM Customs and Excise. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

1.16 Pensions

UC is a member of the Social Housing Pension Scheme (SHPS), which is administered by the Pensions Trust. The Social Housing Pension Scheme combines several offerings including both a defined benefit scheme and a defined contribution scheme. UC has closed its existing defined benefit scheme to new and existing members. New members can enrol in the defined contribution scheme.

Multi-employer defined benefit pension scheme – Social Housing Pension Scheme

The company participates in the Social Housing Pension Scheme (the Scheme), a multi- employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain enough information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

Defined contribution scheme

The Association participates in a defined contribution scheme where the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

1.17 Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids) and disposal proceeds of current assets such as properties developed for outright sale or shared ownership first tranche sales at completion together with revenue grants from local authorities and the Homes England and charitable fees and donations. Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met. Other income is recognised on a receivable basis when UC has a legally enforceable right to the income.

1.18 Properties managed for and on behalf of others

UC levies a fee for its management services to the landlord of the property. These fees are accounted for in the income and expenditure account in the period to which they relate. Ordinarily, UC will deduct this fee from rent collected from the managed properties and transfer the net amount to the landlord.

1.19 Shared ownership property sales

Shared ownership properties, including those under construction, are split between non-current assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche disposal which is shown on initial recognition as a current asset, with the remainder classified as a non-current asset within property plant and equipment. Where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or noncurrent assets.

Proceeds from first tranche disposals are accounted for as turnover in the Statement of Comprehensive Income of the period in which the disposals occur and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.

1.20 Service charges

UC levies service charges to its tenants based on the costs incurred over a 12-month period. Service charges are levied weekly or monthly alongside the rental charge for the property. Service charges are collected using the variable service charge method. Any under or over recovery from the service is recovered or repaid in future financial periods. This over / under recovered balance is now reflected as an explicit debtor / creditor in the accounts. Note that previously over / under recovered service charge balances were accounted for in the income and expenditure account in the period to which they related.

1.21 Financial instruments

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument.

1.22 Financial assets carried at amortised cost

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

1.23 Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables and interest-bearing loans and borrowings.

Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

1.24 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

1.25 Holiday pay accrual

FRS 102 requires short term employee benefits to be charged in surplus or deficit to the Statement of Comprehensive Income as the employee service is received

2. Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

2.1 Impairment of social housing properties

The Association must make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP.

In accordance with paragraphs 14.43 to 14.45 of the Housing SORP 2014, UC is required to make the following disclosure:

- Judgements made in defining the Cash Generating Unit (CGU);
- Estimation technique and judgement used in measuring recoverable amount; and
- When VIU-SP is used to estimate the recoverable amount, the key assumptions used and details of the method used.

UC estimated the recoverable amount of its housing properties as follows:

- Determined the level at which the recoverable amount is to be assessed (i.e. the individual asset level or at CGU) level. The CGU was determined to be an individual scheme:
- Estimated the recoverable amount of the CGU;
- Calculated the carrying amount of the CGU; and
- Compared the carrying amount to the recoverable amount to determine if an impairment loss had occurred.

Based on this assessment, UC calculated the Depreciated Replacement Cost (DRC) of each social housing property scheme, using appropriate construction costs and land prices. Comparing this to the carrying amount of each scheme, there was no impairment of social housing properties.

2.2 Capitalisation of property development costs

The Association capitalises development expenditure in accordance with the accounting policy on housing properties. Judgement is exercised over the likelihood that projects will continue.

2.3 Provisions

Provision is made to recognise certain liabilities and for rent arrears that are considered uncollectable. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

2.4 Defined benefit pension scheme

The Association has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on several factors, including life expectancy, salary increases and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. Variations in these assumptions could significantly impact the liability.

2.5 Components of housing properties and useful lives

Major components of housing properties have significantly different patterns of consumption of economic benefits and estimates are made to allocate the initial cost of the property to its major components and to depreciate each component separately over its useful economic life. The Association considers whether there are any indications that the useful lives require revision at each reporting date to ensure that they remain appropriate.

3a. Turnover, operating costs and operating surplus

2020	Group Turnover £'000	Group Operating costs £'000	Group Operating surplus £'000	Association Turnover £'000	Association Operating costs £'000	Association Operating surplus £'000
Social housing lettings (note 3b)	10,200	(7,336)	2,864	10,200	(7,336)	2,864
Total	10,200	(7,336)	2,864	10,200	(7,336)	2,864
Other social housing activities						
1st tranche property sales	-	-	-	-	-	-
Management charges	42	(24)	18	42	(24)	18
Community regeneration	169	(54)	115	169	(54)	115
Gift Aid from subsidiary	-	-	-	78	-	78
Feed in tariff / export tariff	154	(58)	96	-	-	-
Other	95	-	95	95	-	95
	10,660	(7,472)	3,188	10,584	(7,414)	3,170
Activities other than social housing activities	-	-	-	20	-	20
Total	10,660	(7,472)	3,188	10,604	(7,414)	3,190

2019	Group Turnover £'000	Group Operating costs £'000	Group Operating surplus £'000	Association Turnover £'000	Association Operating costs £'000	Association Operating surplus £'000
Social housing lettings (note 3b)	10,074	(6,896)	3,178	10,074	(6,896)	3,178
Total	10,074	(6,896)	3,178	10,074	(6,896)	3,178
Other social housing activities						
1st tranche property sales	1,334	(702)	632	1,334	(702)	632
Management charges	43	(23)	20	43	(23)	20
Community regeneration	79	(14)	65	79	(14)	65
Gift Aid from subsidiary	-	-	-	74	-	74
Feed in tariff / export tariff	151	(57)	94	-	-	-
Other	26	-	26	26	-	26
	11,707	(7,692)	4,015	11,630	(7,635)	3,995
Activities other than social housing activities	-	(4)	(4)	21	(5)	16
Total	11,707	(7,696)	4,011	11,651	(7,640)	4,011

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

Social housing lettings	**General Needs Housing**	**Affordable Rent**	**Inter-mediate Rent**	**Low Cost Home Ownership**	**Supported Housing for Older People**	**2020 Total**	**2019 Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Income							
Rents receivable	8,193	999	92	202	-	**9,486**	**9,477**
Service charge income	553	-	-	57	-	**610**	**563**
Amortised government grant	104	-	-	-	-	**104**	**34**
Other grants	**-**	**-**	**-**	**-**	-	**-**	**-**
Turnover	8,850	999	92	259	-	**10,200**	**10,074**
Expenditure							
Service charge costs	(407)	-	-	(57)		**(464)**	**(507)**
Management	(1,367)	(126)	(14)	(37)	-	**(1,545)**	**(1,394)**
Routine Maintenance	(2,111)	(195)	(22)	-	-	**(2,328)**	**(2,186)**
Planned Maintenance	(447)	(41)	(5)	-	-	**(493)**	**(391)**
Bad Debts	(79)	(7)	(2)	(4)	-	**(92)**	**(91)**
Depreciation of housing properties	(1,798)	(166)	(38)	(35)	-	**(2,037)**	**(1,968)**
Accelerated Depreciation	(98)	(9)	(2)	(5)	-	**(114)**	**(97)**
Property Lease Charges	(263)	-	-	-	-	**(263)**	**(262)**
Operating costs	(6,570)	(545)	(83)	(138)	-	**(7,336)**	**(6,986)**
Operating surplus- Social housing lettings	**2,280**	**454**	**9**	**121**	**-**	**2,864**	**3,178**
Void losses	46	-	3	-	**-**	**49**	**40**

4. Surplus on disposal of property, plant and equipment

	2020 £'000	2019 £'000
Sale of subsequent tranche Income	491	502
Subsequent tranche cost of sales	(226)	(210)
Surplus on disposal	265	292

5. Interest and financing costs

	2020 £'000	2019 £'000
Bank loans and overdrafts	2,238	2,078
Unwinding of discounts on provisions	34	34
Other	232	185
	2,504	2,297
Financing costs capitalised to developments	(50)	-
	2,454	2,297

Financing costs have been capitalised based on a capitalisation rate 3.8% (which is the weighted average of rates applicable to the Group's general borrowings outstanding during the year).

6. Other finance income

	2020 £'000	2019 £'000
Bank interest receivable	101	65
	101	65

7. Surplus on ordinary activities before taxation

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

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Depreciation of property	2,038	1,968	2,038	1,968
Depreciation of plant and equipment	85	68	48	31
Accelerated depreciation	115	97	115	97
Government grants	(104)	(34)	(104)	(34)
Audit fees:				
Statutory audit	16	13	14	10
Audit-related assurance services	16	16	16	16
Tax advisory services	1	1	-	-
Operating lease rentals:				
Social Housing Properties	264	263	264	263
Office Lease	57	71	57	71
Equipment	1	1	1	1

8. Staff costs

	2020	**2019**
	£'000	**£'000**
Wages and salaries	1,249	1,106
Social security costs	113	112
Other pension costs	80	72
	1,442	1,290

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

	2020	**2019**
	Number	**Number**
Salary Band		
£60,000 – £69,999	-	-
£70,000 – £79,999	1	1
£80,000 – £89,999	1	1

	2020	**2019**
	Number	**Number**
The average full-time equivalent number of employees was:	39	30.9

The basis of the calculation of the full-time equivalents was 37 hours per week = 1 full time equivalent.

9. Directors' remuneration and transactions

Key management personnel remuneration

	2020 £'000	2019 £'000
Directors who are executive staff members		
Wages and salaries	297	284
Other pension costs	24	21
Estimated money value or any other benefits other than in cash	1	1
Board members		
Wages and salaries	27	20
Other pension costs	-	-
	349	326

- Board remuneration on a named basis is included on page 3.
- Independent co-optees on the Board at Committee level only are not remunerated.
- Our Chief Executive receives no remuneration in respect of being a member of the Board.
- 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.

	2020 £'000	2019 £'000
Remuneration of the highest paid director, excluding pension contributions:		
Emoluments	85	87

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

10. Tangible fixed assets – housing properties

Group and Association	Completed properties £'000	Under construction £'000	Completed Shared ownership £'000	Shared Ownership Under construction £'000	Total £'000
Cost or valuation					
At 31 March 2019	121,865	2,387	4,946	-	129,198
Opening Adjustment	-	(702)	-	702	-
Additions	-	11,255	-	6,492	17,747
Transfer to Shared Ownership	-	-	-	-	-
Transfer of completed properties	1,774	(1,774)	-	-	-
Component additions	812	-	-	-	812
Transfer from stock	-	-	-		-
Sale of property	-	-	(250)		(250)
Accelerated depreciation on component disposal	(405)	-	-	-	(405)
At 31 March 2020	124,046	11,166	4,696	7,194	147,102
Depreciation					
At 31 March 2019	14,886	-	230	-	15,116
Charge for the year	1,999	-	39	-	2,038
Sale of property	-	-	(8)	-	(8)
Accelerated depreciation on component disposal	(290)	-	-	-	(290)
At 31 March 2020	16,595	-	261	-	16,856
Net book value					
At 31 March 2020	107,451	11,166	4,435	7,194	130,246
At 31 March 2019	106,979	2,387	4,716	-	114,082

Long leasehold assets included above at net book value amount to £13.53m (2019: £13.72m)

11. Stocks

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Shared Ownership:				
Completed Properties for Sale	-	-	-	-
	-	-	-	-

12. Property, plant and equipment – other

Group	Office Equipment £'000	Shared Assets £'000	PV Cells £'000	Scheme Furniture £'000	Total £'000
Cost or valuation					
At 31 March 2019	91	308	938	397	1,734
Additions	-	76	-	-	76
Disposals	(2)	(20)	-	-	(22)
At 31 March 2020	89	364	938	397	1,788
Depreciation					
At 31 March 2019	90	277	270	212	849
Charge for the year	1	30	38	17	86
Disposals	(2)	(19)	-	-	(21)
At 31 March 2020	89	288	308	229	914
Net book value					
At 31 March 2020	-	76	630	168	874
At 31 March 2019	1	31	668	185	885

12. Property, plant and equipment - other (continued)

Association	Office Equipment £'000	Shared Assets £'000	Scheme Furniture £'000	Total £'000
Cost or valuation				
At 31 March 2019	91	308	397	796
Additions	-	76	-	76
Disposals	(2)	(20)	-	(22)
At 31 March 2020	89	364	397	850
Depreciation				
At 31 March 2019	90	277	212	579
Charge for the year	1	30	17	48
Disposals	(2)	(19)	-	(21)
At 31 March 2020	89	288	229	606
Net book value				
At 31 March 2020	-	76	168	244
At 31 March 2019	1	31	185	217

13. Fixed asset investments

Group investments

UC has a 100% investment holding in the subsidiary undertakings, Bristol Living Limited (BLL). The principal activity of BLL is the Installation of PV panels.

UC owns 10% of the issued share capital of Dunmail 2017 Project Limited, a SPV with which UC has entered into a Development Agreement to purchase 77 shared ownership and affordable rented units at Golden Brick for a fixed price. The remaining 90% of Dunmail 2017 Project Limited is owned by Touchpoint Limited. No consideration was paid for the 10% investment in Dunmail 2017 Project Limited.

14. Debtors - amounts falling due within one year:

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Rent Arrears	763	592	763	592
Provision for bad debts	(453)	(402)	(453)	(402)
Amounts owed by Bristol Living Limited	-	-	77	121
VAT	4	49	4	49
Other debtors	241	78	241	78
Prepayments and accrued income	200	169	200	169
THFC (pending security)	-	12,290	-	12,290
THFC interest reserve fund	520	520	520	520
	1,275	13,296	1,352	13,417

15. Creditors – amounts falling due within one year

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (see note 16)	3,000	228	3,000	228
Retentions	250	46	250	46
Rents received in advance	422	279	422	279
Trade creditors	858	709	858	709
Pension	22	22	22	22
Revenue grants received in advance	42	51	42	51
Other taxation and social security	-	9	-	9
Other creditors	96	68	96	68
THFC deferred income	92	-	92	-
Disposal Proceeds Fund	-	11	-	11
THFC Interest Fund	520	-	520	-
Accruals and deferred income	706	752	722	772
	6,068	2,175	6,024	2,195

During 2018/19 The Housing Finance Corporation (THFC) bond issue completed at a nominal interest rate of 5.2%. This is against a the effective interest rate of 3.501% and resulted in a premium of £2,289,900 being paid to United Communities. . This premium which reflects future deferred income will be released over the life of the bond against the interest charge ensuring that the nominal interest paid annually agrees to the Bond issue rate.

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

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Loans	53,916	47,484	53,916	47,484
Sinking funds	221	200	221	200
Recycled capital grant fund	155	107	155	107
THFC deferred income	2,076	-	2,076	-
Government grants (see below)	10,223	3,330	10,223	3,330
THFC (pending security)	-	12,290	-	12,290
THFC interest reserve fund	-	520	-	520
	66,591	63,931	66,591	63,931

- THFC interest reserve fund monies held in ESCROW in the event of interest payment default
- Loans are secured on freehold housing properties. Interest on loans is payable at an average rate of 3.8%.
- The total accumulated amount of capital grant received or receivable at the Statement of Financial Position date is £78,941,673 (2019: £71,868,000)

Group and Association	**2020**	**2019**
	£'000	**£'000**
Deferred income - Government grants		
Brought forward at beginning of year	3,330	2,714
Grants receivable	7,074	650
Grants recycled	-	-
Grants utilised	(77)	-
Amortisation to Statement of Comprehensive Income	(104)	(34)
Carry forward at end of year	10,223	3,330
Recycled Capital Grant Fund (RCGF)		
Brought forward at beginning of year	107	107
Inputs to the RCGF		-
Grants to be recycled	77	
Interest to scheme	3	
Grant utilised		-
Grant utilised on new build scheme	(32)	
Carry forward at end of year	155	107

Please note there is no RCGF balance is over three years old

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

Group and Association	**2020 £'000**	**2019 £'000**
Disposal Proceeds Fund (DPF)		
Brought forward at beginning of year	11	11
Inputs to the DPF	-	-
Grant utilised		-
Grant utilised on new build scheme	(11)	
Carry forward at end of year	-	11

Borrowings are repayable as follows:

Group and Association	**2020 £'000**	**2019 £'000**
Bank loans		
Between one and two years	-	2,922
Between two and five years	5,000	5,268
After five years	49,900	39,948
	54,900	48,138
Less arrangement fees on variable debt	(984)	(654)
On demand or within one year	3,000	228
	56,916	47,712

At 31 March 2020, UC had £27m of undrawn loan facilities;(£6m RBS, £6m Triodos, £10m Santander, £5m Lloyds)

Analysis of Change in Net Debt

Group	As at 1 April 2019	Cash Flows	Finance Lease	Other non-cash changes	As at 31 March 2020
	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s
Cash and cash equivalents					
Cash	6,973	3,495	-	-	10,468
Treasury Deposits	-	-	-	-	-
Total cash and cash equivalents	**6,973**	**3,495**	**-**	**-**	**10,468**
Borrowings					
Debt due within 1 year	228	2,772	-	-	3,000
Debt more than 1 year	47,485	6,431	-	-	53,916
Finance Lease	-	-	-	-	-
Total Borrowings	**47,713**	**9,203**	**-**	**-**	**56,916**
Net Debt	**(40,740)**	**(5,708)**	**-**	**-**	**(46,448)**

17. Retirement benefit schemes

The Pensions Trust – Social Housing Pension Scheme

The company participates in the Social Housing Pension Scheme (the Scheme), a multi- employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

Notes to the financial statements

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

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain enough information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

Present values of provision

	2020	2019
	£'000	£'000
Present value of provision	536	1,218

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

	2020	2019
	£'000	£'000
Defined benefit Obligation at start of period	4,495	4,097
Current Service Cost	-	-
Expenses	66	8
Interest Expense	104	106
Member Contributions	-	-
Actuarial losses (gains) due to scheme experience	127	(35)
Actuarial (gains) losses due to changes in demographic assumptions	(37)	12
Actuarial (gains) losses due to changes in financial assumptions	(595)	337
Benefits paid and expenses	(208)	(30)
Liabilities acquired in a business combination	-	-
Liabilities extinguished on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Exchange rate changes	-	-
Defined benefit Obligation at end of period	3,952	4,495

17. Retirement benefit schemes (continued)

Reconciliation of opening and closing provisions

	2020 £'000	2019 £'000
Provision at 1 April 2019	1,218	608
Unwinding of the discount factor (interest expense)	34	34
Deficit contribution (recovered) / paid	(716)	135
Re-measurements - impact of any change in assumptions	-	-
Prior year adjustment	-	441
Re-measurements - amendments to the contribution schedule	-	-
Provision at 31 March 2020	536	1,218

Statement of Comprehensive income

	2020 £'000	2019 £'000
Interest expense	34	34
Re-measurements - impact of any change in assumptions	(716)	135
Re-measurements - amendments to the contribution schedule	-	-
Costs recognised in the Statement of Comprehensive Income	(682)	169

	2020 £'000	2019 £'000
Net Interest	28	26
Amounts charged to other finance costs	28	26

17. Retirement benefit schemes (continued)

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

	2020	**2019**
	£'000	**£'000**
Opening fair value of plan assets	3,277	3,048
Interest Income	76	80
Return on plan assets	98	67
Contribution paid by employer	113	112
Benefits paid	(208)	(30)
Closing fair value of plan assets	(3,356)	3,277

	2020	**2019**
Major categories of plan assets as a percentage of total plan assets	**%**	**%**
Equities	14	16
Bonds	6	5
Properties	4	4
Other	76	75

Assumptions

	2020	**2019**
	% per annum	**% per annum**
Rate of discount	2.35	2.36
Inflation (RPI)	2.55	3.24
Inflation (CPI)	1.55	2.24
Salary Growth	2.55	3.24

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

17. Retirement benefit schemes (continued)

Mortality Assumptions- No of years

	2020	2019
Retiring Today		
Males	21.5	21.8
Females	23.3	23.5
Retiring in 20 years time		
Males	22.9	23.2
Females	24.5	24.7

18. Share capital

	2020	2019
	£	£
At beginning of year	19	37
Issued during the year	-	1
Cancelled during the year	-	(19)
At end of year	19	19

The shares provide members with the right to vote at general meetings but do not have a right to any dividend or distribution in a winding-up, and are not redeemable.

19. Financial commitments

Capital commitments are as follows:	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Contracted for but not provided for	13,235	24,823	13,235	24,823
Approved by the directors but not contracted for	47,298	36,232	47,298	36,232
	60,533	61,055	60,533	61,055

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2020	2019
Payments due	£'000	£'000
- Within one year	369	365
- Between one and five years	1,170	1,252
- After five years	4,993	5,121
	6,532	6,738

Financial Assets measured at amortised cost

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Cash and Cash Equivalents	10,468	6,973	11,036	7,540
Short Term Investments	-	-	-	-
Debtors	1,275	13,296	1,352	13,417
	11,743	20,269	12,388	20,957

Financial Liabilities measured at amortised cost	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade Creditors	15,702	17,978	15,718	17,998
Interest Payable	104	416	104	416
Loans and Borrowing	56,916	47,712	56,916	47,712
	72,722	66,106	72,738	66,126

20. Housing Stock

	2019 Units	Additions	Disposals	Conversions	2020 Units
Owned and Completed Housing					
General Needs	1,452	-	-	25	1,477
Affordable Rent	142	-	-	-	142
Intermediate Rent	2	31	-	-	33
Supported Housing Accommodation	25	-	-	(25)	25
Shared Ownership n	87	-	(4)	-	83
Total Owned Housing units	1,708	31	(4)	-	1,735
Total Housing units Managed for Others	12	-	-	-	12
Leased Housing (Over 30 years)					
General Needs	82	-	-	-	82
Affordable Rent	2	-	-	-	2
Total Housing units Leased from others	84	-	-	-	84
Total No units Owned , Managed and Leased	1,804	31	(4)	-	1,831

UC also collects rent and deal with anti-social behaviour issues on 91 units on behalf of the Milestones Trust.

21. Related party transactions

The Association has taken advantage of the exemption from disclosing transactions with its wholly owned subsidiary, Bristol Living Limited.

The Association has a 1% shareholding in Alliance Homes Partnership which delivers the responsive repairs for both United Communities and Alliance Homes Group.

The Association also has a 10% share in 'Dunmail 2017 Project Limited'.

The transactions during the year were as follows:

Related Party	**Payments Made**		**Payments received**	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Alliance Homes Group	1,287	835	-	-
Dunmail 2017 Project Ltd	-	-	90	-