Alliance homes

Group annual report and financial statements

2018-19

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As a result of our successes so far, we've revisited our New Homes Strategy and doubled our ambition to now build 2,000 homes over the next 10 years.

Chair's statement

We want to be known for consistently great customer service across our landlord, care and support services as well as building much-needed new affordable homes.

Last year we embarked on our new strategy, Plan A, and this year we've been busy making measured, but significant, changes to the way we do things to enable us to deliver our ambitions over the next five years.

We want to be known for consistently great customer service across our landlord, care and support services as well as building much-needed new affordable homes. We also want to make a significant contribution to our communities, tailoring our services and approach to reflect that of the different communities in which we operate and the diverse range of customers that we serve. And, of course, we must achieve all this within a financial framework that is affordable and maintains the financial stability and resilience of Alliance.

As a housebuilder, we're already delivering on our ambitious plan to bring new homes to an area that continues to suffer from housing shortages and increasing rents, and we're proud that we've delivered more homes than ever this year.

As a result of our successes so far, we've revisited our New Homes Strategy and doubled our ambition to now build 2,000 homes over the next 10 years. Key to the success of this will be our new £90 million funding arrangement with overseas bank, MIDIS, and a £45m Revolving Credit Facility (RCF), with Lloyds Bank completed in June 2019, affording us the financial backing to work with our strategic partners to build more homes in the West of England. We also received an 'A1' rating from Moody's in the year which leaves us well placed to deliver our ambitions.

We've made great strides in strengthening our financial planning and governance arrangements so that they are aligned to managing the risks and opportunities within our new, ambitious plan. These changes reflect the feedback from our in-depth assessment (IDA) by the Regulator of Social Housing.

In our care services, our direction of travel has been strong with all of our services being independently inspected this year by the Care Quality Commission (CQC) and receiving a 'good' rating. This leaves us well-placed to continue to grow and develop new services that meet the needs of the communities we work in.

This year is my last full year as Chair, so I'd like to sign off this statement with an expression of gratitude to the work of Board members past and present, along with a thank you to all colleagues and friends of the organisation who have supported our work this year, and have supported me in my six years as Chair of Alliance. It's thanks to their hard work that Alliance is the organisation it is today. It's been exciting and rewarding to help steer Alliance through a period of great change. We have recruited a new Chair, Andy Willis and I wish him and Alliance the very best for the future. I look forward to seeing the business continue to be bold and deliver great services.

Simon Sweetinburgh
Chair of the Board

Chief Executive's statement

We've made great steps over the last year in transforming how we deliver our services; putting customers at the heart of everything we do and being a truly customer-centric organisation.

We recognise that designing our services around our customers is vital. We know that it drives value – as each unnecessary touchpoint costs money, time and effort for customers. Our focus will be on having consistently good homes and neighbourhoods that we are proud of and a service experience that is consistently good and creates advocacy.

To be truly customer-centric, we're designing services to meet our customers' needs and aspirations. The work we're doing to gain greater understanding of what motivates and challenges our customers will help to bring their voice into the organisation; we can use this to plan improvements and further growth.

Our plans also involve using technology to enable us to hear from a wider and diverse range of customers. We're excited about this and the possibilities to be more responsive and accountable. This investment will also help us to deliver a more personalised experience for customers and ensure that we focus resources on the things that really matter.

We are ambitious to do more, for more people, by either delivering on our own or in partnerships. Last year saw the first year of our Home Repairs Service partnership with United Communities and Bristol Community Land Trust, a great example of pooling resources to do more for all our customers and we look forward to seeing this evolve and developing other partnerships in the future.

Louise Swain
Chief Executive

> **To be truly customer-centric, we're designing services to meet our customers' needs and aspirations.**

Board Members, Advisors and Bankers

Simon Sweetinburgh	Chair
Andrew Martyn-Johns	Chair of Audit Committee
Jenny Field	Chair of Remuneration Committee
Claire Feehily	Chair of Alliance Living Care Board
David Poole	
Louise Swain	Chief Executive
John Bird	Resigned Sep 2018
Richard Gaunt	Appointed Sep 2018
Maddie McIsaac Dunne	
Sarah Frost	Appointed Sep 2018
Ashley Lane	Appointed Sep 2018
Irene Watkins	Co-optee Appointed Sep 2018. Resigned March 2019

Registered office

40 Martingale Way
Portishead BS20 7AW

Group members

NSAH (Alliance Homes) Limited
Alliance Homes Partnerships Limited
Alliance Homes Design and Build Company Limited
(formerly Alliance Homes Rented Limited)
Alliance Homes Sales Limited
Alliance Living Care Ltd
Alliance Homes (Ventures) Ltd

Independent auditors

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

Bankers

Barclays Bank Plc
PO Box 1015
3rd Floor Windsor Court
3 Windsor Place
Cardiff CF10 3ZL

Legal advisors

Trowers and Hamlins Solicitors LLP
Anthony Collins Solicitors LLP
Clarke Wilmott LLP
Carbon Law Partners
Devonshires Solicitors LLP

NSAH (Alliance Homes) Limited is a Community Benefit Society incorporated in England under the Co-operative and Community Benefit Societies Act 2014, registered with the FCA with registration number 29804R.

It is registered with the Regulator of Social Housing, registration number L4459.


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Strategic report

The Board and the Strategic Leadership Team are pleased to present the Annual Report and Financial Statements for the year ended 31 March 2019 for Alliance Homes Group ("The Group") including NSAH (Alliance Homes) Limited ("The Association") a not-for-profit registered provider of social housing and its trading subsidiaries Alliance Homes (Ventures) Ltd (AHV), Alliance Living Care Ltd (ALC) and Alliance Homes Partnerships Limited (AHP).

Results at a glance

The Group surplus for the year before loan breakage costs is £9.3m (2017/18 £7.1m) and £2.4m after loan breakage costs. After adjusting for the actuarial deficit on the pension fund of £1.4m (2017/18: surplus of £1.5m), the Group surplus is £1.0m (2017/18 £8.6m). Group reserves at the year-end were £71.8m (2017/18 £70.7m).

The Consolidated Statement of Comprehensive Income and Statement of Financial Position and further details of our performance for the year and future plans are set out in this report on pages 1 to 31.

Who we are

We're a dynamic, fair and community minded housing association delivering new homes and a trusted landlord offering care and support services. We're committed to building vibrant communities where people are proud to call home.

Operating in five local authority areas, we own and manage 6,416 homes and provide services to 15,694 people.

Delivering our strategic plan

In 2017 we launched Plan A, our five-year strategic plan which sets out our ambitions to:

- Increase the supply of housing
- Provide our customers with a great service.

We will achieve this by:

- Being a great proactive and trusted partner
- Being commercially adept, competing and excelling in everything we do
- Investing in our people and creating an agile and trusting organisation culture
- Innovation, embracing change and technology to constantly improve and maximise efficiency

Our strategy sets our direction of travel and it is supported by annual corporate priorities.

Building homes is about more than just bricks and mortar.

Our operational performance 2018-19

Number of **colleagues** 482

Number of **homes owned** 6,416

Average **rent arrears** 1.71%

Number of **customers supported by us** 2,909

Average **re-let period** 15.7 days

Customer **satisfaction score (UKCSI)** 84.9%

Operating margin 24.9%

Number of **customers** 15,694

Number of **new homes** 134

Number of **hours of care delivered** 144,233

Number of **vans in our fleet** 96

Number of **compliments** 211

Number of new **windows** 247

Number of **repairs** 14,233

Number of new **heaters & boilers** 145

Number of new **bathrooms** 137

Number of new **kitchens** 198

Number of people **supported into work** 203

Number of **complaints** 478

Our homes

We want to make every house a home by improving existing homes, developing new homes and transforming the ways we deliver landlord services.

Developing new homes

Building homes is about more than just bricks and mortar. Our goal is to create places that our customers are proud to call home. We're committed to tackling the housing crisis by unlocking opportunities that improve lives and benefit communities.

Despite economic and political uncertainty, the policy imperative and call to action could not be clearer: build more homes, now. But that's only part of the problem. We need to build the right type of homes that people can afford in places they want to live. It's a compound issue of scale, pace and quality.

Across our operating area we experience some of the most extreme levels of under supply and affordability, impacting upon the prosperity of our customers and the communities where they live. We recognise we have an important role to play in ending the housing crisis by working collaboratively with partners and stakeholders to drive housing growth of the right type and tenure in the right places.

Building on an established track record of successful delivery, we have the capability and resilience to grow our programme over the next 10 years and make an even bigger impact to our customers and communities.

Our three main schemes

Our homes at The Chill in Bath were developed through a Section 106 agreement with developers Linden Homes and Bloor Homes. The 38 homes were of mixed tenure (14 shared ownership and 24 social rent) and occupied by both families and professionals working in the city.

Built in partnership with Bellway Homes, our 22 homes at St James Mews in Charfield were a mix of shared ownership (6) and social rent homes (16) set within an established rural community. The aim of this scheme was to help younger people access homeownership and affordable rented homes close to where they grew up.

In the new year, we took ownership of 11 shared ownership apartments built by Persimmon Homes in Weston-super-Mare. Aimed at those priced out of nearby commuter cities like Bristol, thanks to excellent transport links these affordable homes at the Haywood Village site have proved to be popular. The properties hit the market in January and more than half were sold by the end of the financial year.

This year we were proud to deliver a record 134 new homes – 63% for social rent, cementing our commitment to tackling the crisis of affordability and quality housing supply. We've also been busy identifying and securing new projects so we're well on track to deliver against our new homes target set out in Plan A. Critical to this will be our £90 million funding arrangement with Macquarie Infrastructure Debt Investment Solutions (MIDIS) and a £45m Revolving Credit Facility (RCF) with Lloyds Bank (which completed in June 2019) giving us the financial backing to move forward with our ambitious development plans, starting with those already in the pipeline for 2019/20.

This year we were proud to deliver a record 134 new homes.

Number of new homes completed in 2018/19 by tenure and local authority

New home completions (total)	**134**
New homes for social rent	84
New homes for affordable rent	11
New homes for shared ownership	39
New homes in the West of England (total)	**134**
New homes in North Somerset	36
New homes in South Gloucestershire	60
New homes in Bath & North East Somerset	38

Investing in our existing neighbourhoods

The Grenfell Tower fire of 2017 shocked the nation. Alongside justice for the victims of the appalling tragedy, the Government issued the Hackitt Review of Building Regulations & Fire Safety making recommendations on the future regulatory system.

We've acted to ensure the safety of those living in our homes. We don't have any buildings that fall into the 'high rise' category, but we do have 270 buildings that come under regulations around fire and safety. This year we put together an internal working group, which also includes one customer representative, which is responsible for the compliance of each of our homes subject to fire regulations and which makes recommendations on fire safety.

Towards the end of the financial year, we launched our 'Keep Safe' project to ensure the safety compliance of all of our homes following the creation of our Home Repairs Service. The project involved a high-level health check of our approach to property compliance relating to gas, electrical and fire safety, asbestos management and water hygiene. The health check also looked at our management and governance process around assessing the safety of our homes. We're continuing with the project into the new financial year to ensure all of our homes are fully compliant and our safety records are completed in full.

During last summer we unveiled our latest investment project at Austen Court in the Bournville neighbourhood in Weston-super-Mare.
Austen Court, previously known as Masefield House, became empty as it was no longer being used for supported short-term accommodation.
The block of flats underwent a makeover to give it a new lease of life before we opened its doors to new customers looking for an affordable rented home. This project saw us upgrading the building to the standards you'd expect to see in one of our new-build properties. We also made some changes to the lettings procedure at Austen Court to improve our overall experience for customers renting a home with us.

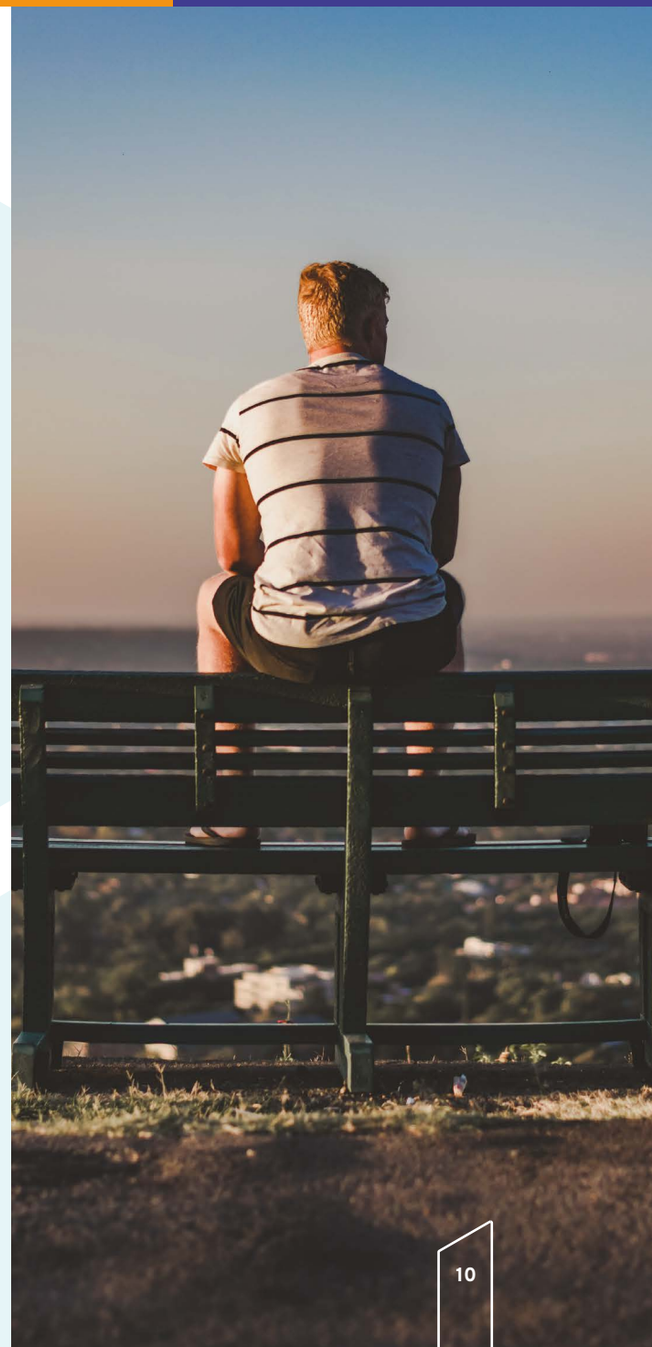
Over a quarter of our homes are located within the Bournville estate and we're working with North Somerset Council to see how we can make it a better place to live. During the year we carried out some research to look at how we could invest in the area by improving housing stock as well as the physical environment. More work is needed to understand what development of this area may look like.

As part of our active asset management strategy, we need to understand the long-term performance of our homes, balancing income and expenditure to meet and maintain regulatory standards. The future viability of our homes is influenced by the financial performance of the asset, which we measure through our future income and future costs. We also take into account the wider social and environmental factors to determine long-term sustainability of our neighbourhoods.

This year saw us bringing together our development, regeneration and asset management teams to create one 'Real Estate' function, responsible for our New Homes Strategy as well as neighbourhood investment and asset performance. We hope this will help us realise financial and practical efficiencies, and that decision making on complex work will be more effective, through increased collaboration across the various property disciplines.

We also recognise the importance of having strong collaborative relationships outside our organisation. We're well placed to deliver in partnership and adding value beyond our new homes investment programme by promoting practical placemaking in our communities.

We take into account the wider social and environmental factors to determine long-term sustainability of our neighbourhoods.



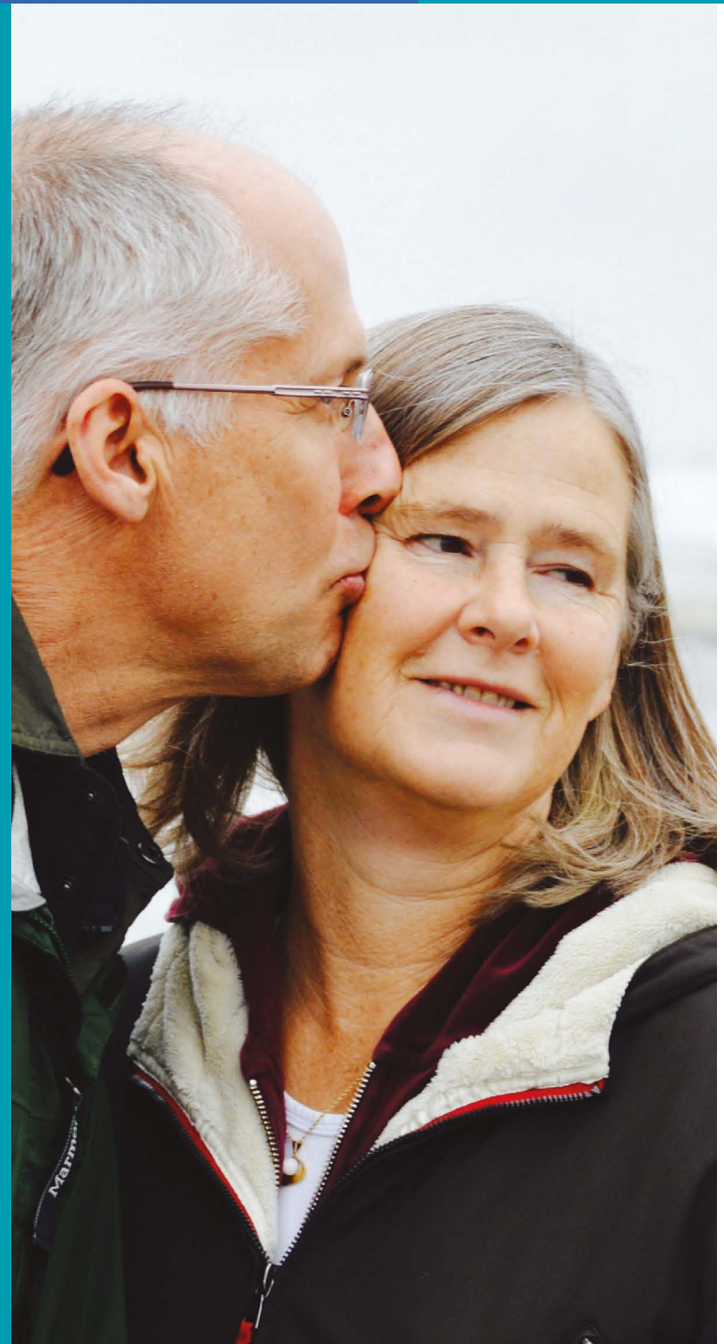
Our neighbourhoods and communities

We want to create attractive, vibrant neighbourhoods and support customers to lead independent lives. As part of our placemaking strategy when delivering our new homes, we'll ensure our communities have the appropriate infrastructure available to support sustainable growth.

Inspiring our communities

We're proud of the social impact we make in our communities by working with our customers, partners and local networks.

We were pleased to secure a £370k grant from the Big Lottery Fund to support our neighbourhood investment plans to benefit our Bournville, Oldmixon and Coronation communities. The funding will support a community-led, five-year programme benefiting 750 residents living in our South Ward communities. It will help local people strengthen their existing skills, acquire new ones, obtain qualifications and ultimately reach their own personal goals.



Customer support

Support for carers

Our combined carers service has assisted over 1,900 people to access carers support services over the last year.

We were delighted to receive £105k from Children in Need to fund young carers to add value to the young carers element of our carers contract with North Somerset Council. Our dedicated young carers team supports young people who care for family members who are ill or disabled, experiencing mental health problems or struggling with addiction.

The funding will be used over the next three years to offer one-to-one support, regular meet ups, advice on education and employment opportunities and to provide day trips and school holiday events for young carers in North Somerset.

Housing-related support

We continue to over-achieve on targets against our housing-related support grant by providing people with housing related support during times of crisis and negative life events. We provide a person-centred and outcome-driven service based on the needs of the individual, using a range of partnerships across the Alliance footprint. We have provided direct support to 1,449 customers against an annual target of 912 customers.

Employment and skills support

This year we also continued to successfully help 692 people access employment and training opportunities, increasing their skills and confidence, as part of our refreshed Into Work Strategy. This enabled 203 people to gain employment, our target being 175 in the year towards our five-year goal of assisting 1,000 people into work.

The end of March marked the end of our partnership with North Somerset Council to deliver a job shop in our Bournville neighbourhood and we are exploring how we deliver employment support in a more agile, holistic way to achieve better outcomes for more people living in our wider communities.

Achieving the best care outcomes

Our care service went from strength to strength this year, and in line with our plans, was able to make a positive financial contribution to the Group.

Our services underwent a series of Care Quality Commission (CQC) reviews this year too, scoring us against delivering our services safely, effectively and responsibly.

At our flagship extra care scheme at Tamar Court, we achieved a rating from CQC of 'Good' (July 2018) for its care service.

We were awarded a CQC rating of 'Good' for all of our other care services in Weston-super-Mare and Worle (February 2019). In Portishead, we also scored 'good' in all areas (December 2018).

At our flagship extra care scheme at Tamar Court, we achieved a rating from CQC of 'Good' (July 2018) for its care service.

Transforming our business

Alliance is in the process of transforming the way it does business and this year we have continued to invest in this by designing and providing services that prioritise customer needs and preferences. Imperative to this is understanding and listening to our customers and using this insight to support our digital transformation strategy and overhaul our financial services.

Over the summer the government published its Housing Green Paper as a "new deal" for social housing. It covered the need to tackle the stigma surrounding social housing and ensure we, collectively as landlords, can offer a stable base that supports people when they need it most.

The paper also addressed how social landlords should rebalance the relationship between residents and landlords to ensure every resident has a voice, evidencing the need for leadership and long-term culture change, owned by boards and leaders, and supported by good, proportionate regulation.

Key to achieving this is knowing who our customers are and what matters most to them, helping us to design services that best meets their needs and improve the way we communicate with them, creating long-term customer loyalty and advocacy. This year we reshaped our approach to customer involvement by moving away from a traditional model of tenant engagement to exploring how a digital platform can help us gain greater insight from more of the people who use our services.

Centralising our customer contact

This year we've changed the structure of our customer contact team to include a third stream to offer support and tenancy sustainment assistance as part of our £0.9million contract to deliver support to our North Somerset communities.

We've also undertaken a pilot project to centralise our approach to complaints, giving us greater transparency and ensuring we don't make the same mistakes twice. This involved complaints not able to be solved at the first point of contact being escalated to a central team to look more deeply at the root cause, assess any breakdown in communication and seek to find a satisfactory resolution. It will be extended to all customer feedback (complaints, compliments and comments) in 2019/20.

Just before the end of the year we entered into a contract with a new telephony and communications provider, Enghouse, as part of our new approach to improving customer contact. Enghouse offers us new ways of analysing the reason for customer contact across different channels of communication and volumes, enabling improved reporting. This information will further shape our digital strategy to offer customers more self-serve options online.

Financial transformation

This year we celebrated our outstanding credit rating from independent credit rating agency Moody's. They rated us A1, which is one of its highest ratings, and ranks us as one of the highest of Moody's-rated housing associations due to our very low debt to revenues ratio, simple debt profile and strong governance and management for our size.

We also embarked on our financial transformation programme, approved by our Audit Committee. This project was set up to review our compliance and governance processes and the financial structure of the Group so that we're able to robustly support new ventures and development opportunities.

We've also implemented a new financial management system to give business leads a better understanding of their individual budget along with streamlining the order processes. In addition, we have amalgamated our finance and procurement functions to bring closer alignment of our procurement and purchasing functions.

Well-led

We want to ensure that we're a well-managed business, compliant in all areas, while achieving value-for-money, and demonstrating our values.

Our values underpin the way we like to do things. These are our AGAME:

- **Ambitious for all**
- **Genuine**
- **Awake to challenge**
- **Make the difference**
- **Effective**

Our values define how we shape the behaviours our customers and partners can always expect from us, supporting our commitment to outstanding customer service.

Our rating from the regulator

During the early part of the year we were reviewed under the Regulator of Social Housing's assessment regime. This In-Depth Assessment saw us graded at V1 (viability) and G2 (governance). While G2 means we're compliant, we've taken some actions, specifically on improving our financial stress testing and our mitigation planning, and achieved clarity on the overhead distribution between the Group and our subsidiaries. At the same time, we have renewed our Board, to ensure that we have the skills and experience necessary for the ambitious plans that our business has. V1 reflects that the Regulator is confident in our financial viability and our plans to develop more homes and diversify into new products.

An agile approach

Agile working is just one of the ways we've changed the culture of working at Alliance.

This year saw us invest in upgrading our IT and communications infrastructure and equipment, giving all colleagues at least one mobile device to carry out their work. We've also rolled out Skype for Business enabling teams to work collaboratively from different locations.

Our Board also approved a refurbishment project at our head office at Martingale Way, Portishead, bringing about more modern facilities for our colleagues and customers.

This investment supports our desire to create a workplace which enables our colleagues to improve the way we provide services for our customers.

Value for money

Our approach to delivering value for money

During 2018-19, we developed a new Value for Money Strategy to help us to make sound business decisions reflecting our ambitions within Plan A, our corporate plan, and for the organisation to be able to respond to changes in the environment in which it operates:

- We're a long term, asset driven business, so decisions we make will reflect this, as we develop an 'Alliance+ Standard' for all of our homes. We will ensure that all decisions within this consider overall cost effectiveness, e.g. installing components that will last rather than the cheapest and delivering a broadly consistent quality of home for customers, whether they are living in an existing or new property.
- We're fundamentally shifting our resources to investing in digital services and new homes. To achieve this, we will drive out cost from other parts of our business.
- Our service offering will meet legal, contractual and regulatory requirements, and we will only provide services above this level where they can demonstrably contribute to the achievement of our goals or if a customer pays for these services. The same principle applies to our business support services.
- Overheads, including business support services, are actively managed and flex in size to reflect the scale, complexity and requirements of our business activities.
- Our colleague offer is mid-market, tailored to each sector or employment market. We will use a mixed economy of permanent, fixed term and contracted employees to achieve flexibility, high quality results and maximum business efficiency.

Agile working is just one of the ways we've changed the culture of working at Alliance.

Embedding value for money

Our principles

In order to embed value for money into everything we do, our Value for Money Strategy is underpinned by five principles:

- Doing things economically
- Doing things right first time, every time and maximise the benefit
- Maximising the return from our assets, including social return
- Maximising the return from our colleagues
- Consistently achieving the right outcomes, whilst tailoring what we do to meet the expectations of different audiences and customers.

Principle 1: Doing things economically

This principle considers effective and efficient ways to provide services and being innovative and using digital technology and research to design better ways to work.

Principle 2: Doing things right

This principle ensures that we have clear strategies, policies and processes in order to deliver the vision of the business.

Principle 3: Maximising the return on our assets

This principle sets out the way we will manage our existing assets and how we will create new assets to achieve maximum value from our assets for us and for our customers.

Principle 4: Maximising the return from our colleagues

This principle ensures that we invest in our colleagues to promote high quality performance and to support a culture of development and innovation. It addresses how we will work with our colleagues to train, support and retain them as they deliver high-quality services in an agile way for our business.

Principle 5: Achieving the right outcomes

This principle sets out how we will self-assess our business effectiveness and measure how successful we have been in achieving our corporate plan objectives, and what value has been delivered.

We set annual measurable Value for Money targets within our operational metrics and strategic 'measures that matter'. We will report against these both internally and externally. We review ourselves against the statistics published by the Regulator of Social Housing in the Global Accounts. Achievement of our three audacious goals also form part of our value for money targets as reported on the following pages.

Alliance performance 2017/18	Peer performance 2017/18	Alliance target 2018/19	Alliance performance 2018/19	Alliance target 2019/20	Alliance target 2020/21	Alliance target 2021/22
Reinvestment %						
14%	**UQ – 8.6%** M – 5.6% LQ – 3.7%	17.6%	12.3%	14.6%	16.7%	16.2%
The outturn performance for 2018/19 reflects the decision not to acquire a large, mixed tenure site. 2019/20 will be a pipeline building year, growing capacity and partnerships to enable increased delivery in future years, aligned to aspirations set out in the New Homes Strategy.						
New supply (social housing) delivered %						
1.3%	UQ – 2.2% **M – 1.2%** LQ – 0.4%	2.1%	2.1%	1.4%	2.5%	2.6%
Following the delivery of 134 new homes in 2018/19, the pipeline delivery plan will see a fall in 2019/20 to deliver 88 homes, followed by an increase in homes delivered in 2020/21 of 164, and 175 new homes in 2021/22.						
New supply (non-social housing) delivered %						
0	UQ – 0.03% **M – 0.00%** LQ – 0.00%	0	0	0	0	0
The first non-social housing properties will be delivered in 2022/23.						
Gearing %						
37%	UQ – 54.8% **M – 43.4%** LQ – 33.5%	42.5%	40.4%	44.8%	44.8%	48.0%
The gearing percentage for 2018/19 was lower than budgeted due to the reduced delivery of new homes, and the increased cash reserves resulting in a stronger gearing position. The gearing percentage increases over the following two years, albeit remaining well within the existing financial covenant.						
EBITDA-MRI interest cover						
560%	UQ – 278% M – 212% **LQ – 174%**	130.0% (adjusted for breakage costs 510.0%)	124.6% (adjusted for breakage costs 504.1%)	300.0%	380.0%	300.0%
The 2018/19 interest cover, adjusted for the one-off exceptional breakage cost, shows that the cost of new funding is affordable, and that Alliance will continue to generate cash for operational purposes.						

Alliance performance 2017/18	Peer performance 2017/18	Alliance target 2018/19	Alliance performance 2018/19	Alliance target 2019/20	Alliance target 2020/21	Alliance target 2021/22
Headline social housing cost per unit (£'000)						
£4.06	UQ – £4.36 **M – 3.29** LQ – £2.96	£3.70	£4.21	£3.90	£3.90	£3.90
During 2018/19 we did not meet our targeted cost per unit. This was due to additional expenditure which was incurred to undertake additional specific project work in the year. This is part of a 'spend to save' initiative which will see Alliance transform its business. We have set ourselves a challenging target for 2019/20 and we will be reviewing this and future targets as part of our Cost to Serve Project.						
Operating margin – social housing lettings %						
30.8%	UQ – 39.3% M – 34.7% **LQ – 28.7%**	37.2%	25.3%	35.2%	45.9%	43.9%
The decreased margin in 2019/20 reflects the -1% rent decrease matched against rising costs. The upturn in later years reflects the rent increase (CPI+1%) together with forecast surpluses achieved on shared ownership sales.						
Overall operating margin						
20.7%	UQ – 36.0% M – 31.4% **LQ – 25.0%**	26.0%	24.9%	25.4%	28.1%	28.1%
Operating margin (before interest charges) is lower than our annual budget. However, we plan for this to increase in 2019/20 and again in 2020/21.						
Return on capital employed (ROCE)						
6.2%	**UQ – 5.6%** M – 4.3% LQ – 3.5%	6.1%	6.1%	5.8%	7.4%	6.8%
While we met our ROCE target for the 2018/19 year, we will see a decrease in this in 2019/20 as we build our pipeline (capital expenditure) prior to seeing homes coming into management in 2020/21 onwards.						
New homes into management						
79		164	134	88	164	175
2019/20 is our pipeline building year, where completions are lower but numbers in contract increase.						
People into employment						
192		175	203	175	210	220
Five-year target for 1000 people into employment – dip in target in 2019/20 due to implementation of new model. 2020 onwards target to increase						
Customer recommendation						
N/A		9/10	7/10	9/10	9/10	9/10
In 2018/19 we obtained an accurate assessment of our customers' views using this measure for the first time.						

During 2018/19, we set out our New Homes Strategy to build 2,000 homes over the next 10 years. Our target for this year was to develop 164 new homes. We achieved the largest single year delivery of 134 homes. This was 30 homes short of our target, and we are working hard to build a pipeline which will be key to future years' delivery. In the meantime, we expect our delivery to dip slightly until this pipeline is secured. Value for money has been achieved with the financial performance of all new homes meeting or exceeding our approved parameters.

Accompanying our New Homes Strategy has been the further development of our approach to strategic asset management. As mentioned above, we have started to develop a new higher 'Alliance+ Standard' which will increase financial investment in our homes. It is also likely to mean a rise in the number of empty homes sold or repurposed.

We successfully worked with 203 people who achieved employment during the year. This was ahead of our target of 175. Measures go beyond simply counting the number of people helped into work and consider sustainability of employment at 13 and 26 weeks.

In addition to our Customer Recommendation metric, we have continued to measure customer satisfaction to ensure continuity with previous years. At the end of the year, the customer satisfaction index score was 84.9%, which while slightly lower than our target of 85.3%, was above the UKCSI average of 77.9%. In continuing to develop a strong customer voice in the organisation, we are reviewing our current performance indicators and looking to evolve a strong set of customer performance metrics moving forward.

Over the year, Alliance has been investing in transforming its business in order that it can provide effective, cost efficient services to our customers. As part of this, we refinanced our existing borrowings with Barclays which incurred substantial loan breakage costs. However, this has allowed us to borrow further funds and to unlock the financial capacity within our business to build more homes in the future.

We have also made a major investment in new IT systems provided by Civica. Central to these systems, Civica's CX product will enable us to improve the customer experience by implementing improved processes which are designed around customer journeys and better management of customer contact. It will also allow us to offer services through a digital platform. They will contribute to creating more coherent IT architecture and replace some legacy systems. This will support our IT systems to be fit for the future, meeting the aspirations of our customers now and in the future.

Alongside this, we are introducing a new customer insight system - the Hive, which is an online platform, providing opportunities for customers to talk directly to us, through discussions, videos, diaries and other activities. This will provide a forum where customers can share ideas in a safe place and where they can remain anonymous. The resulting data will allow us to design services around our customers and will help us meet the expectations of the Green Paper and the Consumer Regulations which we expect to flow from this.

We have transformed our financial services, introducing business partnering throughout the business and amalgamating our procurement and purchasing functions. This is in readiness for introducing purchasing agreements with preferred suppliers in order to drive in value for money in all of our purchases.

This year has seen us transform how our colleagues work and provide services to customers. We have adopted agile working practices which has seen us focus on outcomes. We have made major investments in technology to support these changes e.g. new IT equipment and revolutionised office usage, including closing one of our main offices. We have built an annual savings target of £350k into our Financial Plan and in 2019/20, we are undertaking a 'Cost to Serve' project which will analyse the cost of delivering our services and look at how we can achieve greater value for money.

During 2018/19, we set out to ensure that our care company, Alliance Living Care became financially self-sustaining. In the last year, we have restructured the staff structure of the company and have carried out a full assessment of the costs involved in running the company. As a result, the company has made a surplus for the first time since acquisition. For 2019/20, the company will make a surplus and cover the marginal cost of overheads.

Alliance Homes Ventures continues to make a healthy surplus, making optimum use of tax planning facilities by gift aiding surpluses to the charitable parent company. In 2018/19, £420k was gift aided and this is planned to be circa £700k in 2019/20.

2018/19 saw us establish Alliance Homes Partnerships with United Communities and Bristol Community Land Trust to form our new Home Repairs Service. This has been approved as a Cost Sharing Group by the HMRC and means that we are able to share the cost of our overheads of the service while offering VAT savings to our partners.

This year has seen us transform how our colleagues work and provide services to customers.

Regulation and corporate governance

Risks and uncertainties

Risks that may prevent us achieving our objectives are considered and reviewed quarterly by the Strategic Leadership Team, the Audit Committee and the Board. An annual review of our management of risk is undertaken by an independent Advisor. All our risks are assessed in terms of their impact and probability, as well as inherent and residual risk.

In addition, reports taken to our Boards and Committees consider the risks involved. Amendments to risks, including the identification of new risks are proposed as part of decision making, which are then approved by the Board or Audit Committee. The top five risks to successful achievement of the Group's objectives are:

Key risk

Civica implementation project is not successfully delivered within agreed timescales and resources.

Key controls

- Project governance
- Organisation engagement
- Rag rating
- Resource plan.

Assurance

- Regular reporting to Strategic Leadership Team and Board.

Key risk

Inability to generate the expected level of value for money, resulting in reduced growth and/or service delivery.

Key controls

- Performance management system – including suite of Value for Money KPIs
- Procurement processes in place to ensure competitive tendering
- Budgets monitored on a monthly basis
- Budgeting process ensures that resources are allocated to reflect organisational priorities
- Membership of procurement consortia e.g. PfH and Westworks
- Contracts are market tested for efficiency
- Value for money strategy
- Asset management strategy
- Stock valuation / condition survey
- Financial plan reviews.

Assurance

- Monthly management accounts
- External audit
- Regular performance reporting to Strategic Leadership Team and Board
- Value for money review
- Value for money statement
- Value for money metrics reported quarterly (Board).

Key risk

Cost of maintaining LGPS pension becomes unaffordable.

Key controls

- Current assumptions based latest triennial review
- Rates adjusted in line with any actuarial valuation recommendations
- Final salary pension closed, and defined contribution pension introduced
- Budget assumptions include pension contributions
- Board considers from time to time the whole issues of LGPS pension and wider pension strategy.

Assurance

- Actuarial valuation for statutory accounts (FRS102 basis)
- Triennial review
- Deficits payment made for past service deficit.

Key risk

Failure to comply with Health & Safety as a landlord, employer and provider of support services.

Key controls

- Comply with all relevant legislation and regulation
- Failures actively reported
- Regular compliance reporting to Strategic Leadership Team and Board.

Assurance

- Mazars internal compliance audits.

Key risk

Neighbourhoods where Alliance Homes has a significant presence will go into decline or experience high levels of social exclusion.

Key controls

- Regular links with Council at strategic partnership level
- Choice-based lettings
- Anti-social behaviour policies and procedures
- Joint action days with other agencies
- Involvement in Local Strategic Partnership and People & Communities Board
- Information Station
- Business Enterprise Manager
- Range of education and skills services such as Forward For Life, Chocolate Garden etc.
- Financial Inclusion Advisors
- Neighbourhood sustainability function created
- Bournville investment feasibility study.

Assurance

- Customer feedback
- Stock condition survey report (March 2017 Savills)
- Regular reporting to Strategic Leadership Team and Board.

Our board

Board remuneration

Fees paid to Board members are periodically reviewed against the market. They were last reviewed in March 2019 and a market median pay level was adopted. The level of remuneration was agreed by the Board, having regard to the size of the Group, complexity, resources, and benchmarking information on Board member pay in comparable organisations. Full-year equivalent remuneration levels are therefore set as follows. A full list of payments made is shown in Note 10 of the Statutory Accounts:

Role	Number of board members paid	Payment (£)
Chair	1	12,000
Vice Chair	1*	7,175
Committee Chair/ALC Board Chair	3	6,816
Board Member	5	4,520
Total	10	

*The Vice Chair position was vacated in September 2018, with no current plans to replace this post.

The Board sets the pay and benefits of the Chief Executive Officer and determines the terms on which the Chief Executive Officer can agree other colleagues' salaries. The Chief Executive Officer and all members of the Strategic Leadership Team are members of the Association's Defined Contribution pension scheme and participate on the same terms as all other eligible colleagues.

Fees paid to Board members are periodically reviewed against the market.

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 to provide reasonable and not absolute assurance against material misstatements or loss.

The Board retains responsibility for a range of issues covering strategic and, operational matters with key elements of the control framework including:

- Adoption of the National Housing Federation Code of Governance 2015, which promotes excellence for Federation members in governing their organisations and being accountable, independent and diverse. The Board has conducted a review of its performance against this Code and can demonstrate compliance with this.
- The Rules of the Association Standing Orders, and Financial regulations, policies and procedures which Board members and colleagues follow cover issues such as delegated authority, procurement, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.
- Financial reporting procedures including annual budget setting and reporting on a quarterly basis to the Board. Long term Strategic Financial Plans are created and reviewed and approved by the Board. These are revised during the year if necessary.
- The Risk Management Strategy and annual external validation of this enables the Board to confirm that there is an on-going process for identifying, evaluating and managing the significant risks faced by the Group. This process has been in place throughout the year under review, up to the date of the annual report.
- External audit reports, including presentation of management letters.
- Internal audit strategy and programme of independent internal audits in accordance with recognised professional standards.
- Quarterly review by the Board of key performance indicators to assure progress towards the achievement of objectives. Benchmarking of this against national data.
- Quarterly review by the Audit Committee of internal control and risk at each of its meetings during the year, with the risk registers being reviewed by the Boards.
- A Fraud Policy and associated register are maintained. The Fraud Register is made available to the Audit Committee.
- Reports from the Committees and subsidiary companies and their Minutes are made available at Board meetings.
- All board members, committee members and colleagues are covered by Directors and Officers Liability insurance through the National Housing Federation to protect them from claims made against them in their capacity as representatives of the organisation.
- The Board has received the Audit Committee's and the Strategic Leadership Team's annual assurance report which includes evidence to support the review of the effectiveness of the systems of internal control. This process involves Directors and Heads of Service reviewing and confirming to the Strategic Leadership Team that throughout the year there were adequate systems of internal control in place. The Strategic Leadership Team provides their assurance to the Audit Committee whose chair provides a report for the Board. This system is supported by evidence to provide the required level of assurance including details of the key policies and internal control systems together with external evidence from internal and external auditors and other key external stakeholders.
- The Board has reviewed the Audit Committee's annual report on the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process. Where issues have been identified, action plans are in place and will be enacted.
- Whilst the Board is satisfied that the new system provides adequate control over the recording and authorisation of transactions, further work is required to develop its reporting capabilities in order to meet the needs of the Association.
- The Regulator of Social Housing (RSH) has confirmed that we are compliant with the Governance and Viability Standard with a Regulatory Judgement of V1/G2.
- The Board cannot delegate responsibility for the system of internal control, but it can, and has, delegated to the Audit Committee responsibility for reviewing the effectiveness of the system of internal control.

Group structure

The Alliance Group includes the following:

- NSAH (Alliance Homes) Limited – our parent company and Social Landlord. It is a Community Benefit Society and owns 6,416 properties
- Alliance Living Care Ltd – our domiciliary care company. It is a Company Limited by Shares
- Alliance Homes Partnerships Limited t/a Home Repairs Service – a Cost Share Group providing services for Alliance Homes, United Communities and Bristol Community Land Trust. It is a company limited by shares and commenced trading in April 2018
- Alliance Homes (Ventures) Ltd – a photovoltaic panels business and a company limited by shares
- Alliance Homes Sales Limited and Alliance Homes Design and Build Company Limited are companies that have not yet traded.

Statement of Board's obligations

Our Board members' obligations and responsibilities are set out in Alliance's Board member role profile which states that the Board are collectively responsible for the direction and control of the Alliance Homes Group. Each member is required to carry out their responsibilities in accordance with the constitution, law and regulatory requirements and shares the same legal status and responsibility for decisions taken.

Co-operative and Community Benefit Societies Act legislation requires the Board to prepare financial statements for each financial year. Under that law the Board have prepared financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Co-operative and Community Benefit Societies law 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 company and of the profit or loss of the company and group for that period.

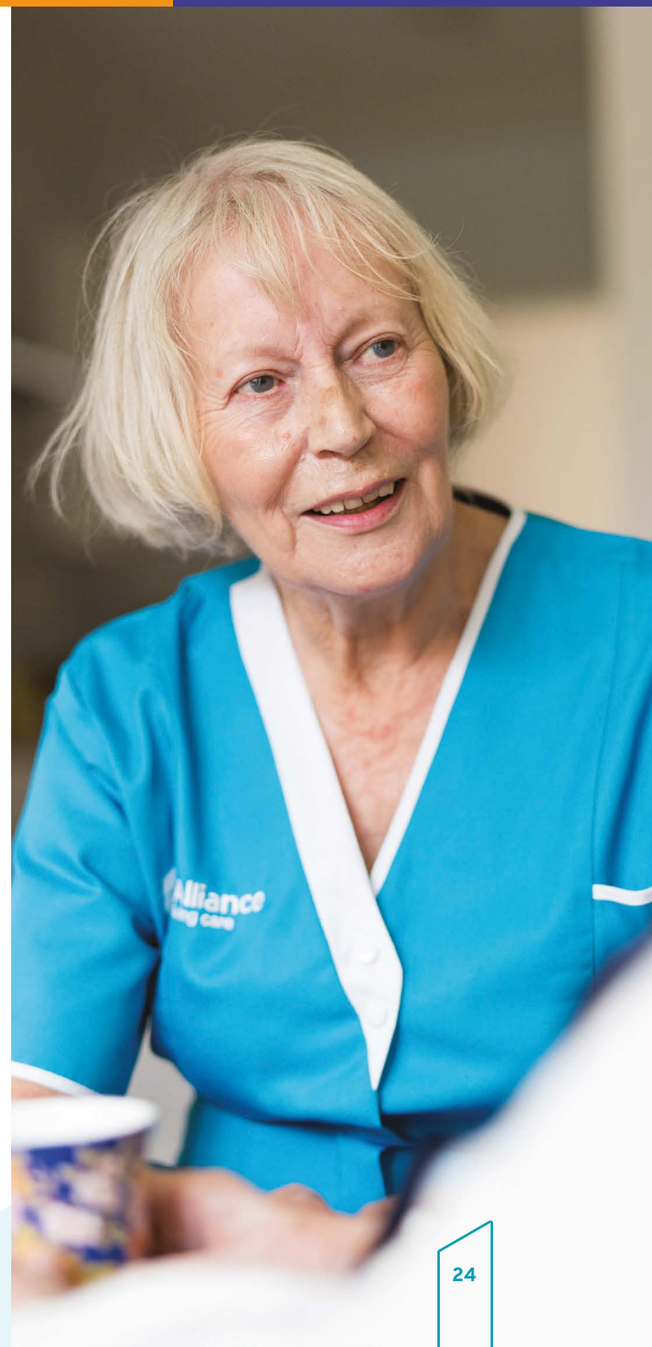
Statement of Board's responsibilities

In preparing these financial statements, the Board members are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Board are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Association (Group Accounts) Regulations 1969, enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2015.

It has a general responsibility for taking reasonable steps to safeguard the assets of the Group and the Association and to prevent and detect fraud and other irregularities. The Board is responsible for the maintenance and integrity of the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from the legislation in other jurisdictions.



Statement of compliance

The Board confirms that this strategic report has been prepared in accordance with the principles set out in the SORP 2015 for Registered Social Housing Providers.

The Board

Alliance is governed by a Board with a total of nine non-executive Board members and the Chief Executive Officer. The Board members who served during the year and up to the date of signing the financial statements are listed on page 5.

The supervision of how an organisation is run and how it manages the risks to its business is generally referred to by the term 'corporate governance'. This includes regulation, corporate structure and the function of the Board.

The Group complies with the National Housing Federation's 'Code of Governance' 2015 and with all the Regulatory Standards issued by the Regulator of Social Housing.

The Board has established a Competency and Skills Framework that sets out what the Board will require in order to meet the challenges of delivering on our ambitions.

It is not expected that all Board members will have all the attributes, but in order to achieve a balanced Board containing an appropriate range of skills, experiences and qualities, every effort is made to ensure the Board as a collective achieves an optimum fit.

Competencies	Examples
Personal qualities	Commitment to vision and values
	Ability to put Alliance before personal interests
	Integrity
	High ethical standards
	Confidence
	Sense of responsibility
Behavioural competencies	Leadership
	Inter-personal/team skills
	Sound judgement
	Critical thinking and constructive challenge
	Conflict management
	Strategic thinking and continuous improvement

Alliance is governed by a Board with a total of nine non-executive Board members and the Chief Executive Officer.

Delegation

The Board of NSAH (Alliance Homes) Limited is responsible for strategy for the Group as well as overseeing its performance. Specific responsibilities have been delegated to committees which have their own approved terms of reference. Day-to-day performance is delegated to the Strategic Leadership Team.

The two committees supporting the Board and governance arrangements during the year were:

Audit Committee – responsible for:

- Financial reporting, internal and external audit, internal controls, and assurance
- Monitoring the Group's risk management and control framework, as set out in the Group Risk Management Strategy.

Remuneration Committee – responsible for:

- Colleague and Board member remuneration
- Employment-related contractual matters.

Alliance operates a Company Membership Application Policy. This sets out the criteria by which the Board of the Alliance Homes Group ("Company") considers applications for shareholding membership.

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within this Strategic Report. The Group has in place long-term debt facilities, which provide adequate resources to finance committed reinvestment and development programmes, along with the Association's day-to-day operations. The Group also has a long-term financial plan which shows that it is able to service these debt facilities whilst continuing to comply with lender's covenants.

The Board is assured that the Group has sufficient cash to fund its liabilities for the remainder of the forthcoming 12 months from the date of approving and signing these financial statements and that therefore the Group and the Association are considered to be a going concern.

"The Board is assured that the Group has sufficient cash to fund its liabilities for the remainder of the forthcoming 12 months."

Annual general meeting

The annual general meeting will be held on 24 September 2019.

Disclosure of information to auditors

At the date of making this report each of the Group's directors, as set out on page 5 confirm the following:

- So far as each director is aware, there is no relevant information needed by the Group's auditors in connection with preparing their report of which the Group's auditors are unaware
- Each director has taken all the steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant information needed by the Group's auditors in connection with preparing their report and to establish that the Group's auditors are aware of that information.

Auditors

A resolution to re-appoint Beever and Struthers will be proposed at the forthcoming Annual General Meeting. This will be subject to the outcome of the tender of external audit services which is in process.

Approval

The Annual Report and Financial Statements was approved by the Board on 20 August 2019 and signed on its behalf by:

Simon Sweetinburgh
Chair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homes
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Alliance
homes

Independent Auditor's report

Opinion

We have audited the financial statements of NSAH (Alliance Homes) Limited (the Association) and its subsidiaries (the Group) for the year ended 31 March 2019 which comprise the Consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 Association's affairs as at 31 March 2019 and of the Group's income and expenditure and the Association's income and expenditure for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Cooperative 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 Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report to you 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 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- A satisfactory system of control over transactions has not been maintained; or
- The Association has not kept proper accounting records; 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 Board's Responsibilities set out on page 24, 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 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 Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association 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 for our audit work, for this report, or for the opinions we have formed.

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

Date: 6 September 2019


home
repairs
service

Consolidated statement of comprehensive income

	Note	2019 £'000	2018 £'000 Restated
Turnover	2	43,715	41,954
Operating expenditure	2	(31,060)	(30,930)
Cost of sales	2	(1,784)	(2,341)
Gain on disposal of property, plant and equipment	6	294	190
Operating surplus		11,165	8,873
Net interest	7	71	14
Interest payable and financing charges	7	(1,864)	(1,766)
Loan breakage costs	7	(6,941)	-
Surplus before tax		**2,431**	**7,121**
Taxation	9	-	(9)
Surplus for the year after tax		**2,431**	**7,112**
Actuarial (loss) / gain in respect of pension schemes	12	(1,386)	1,508
Total comprehensive income for the year		**1,045**	**8,620**

Associated statement of comprehensive income

	Note	2019 £'000	2018 £'000 Restated
Turnover	2	39,698	37,822
Operating expenditure	2	(27,522)	(27,381)
Cost of sales	2	(1,784)	(2,341)
Gain on disposal of property, plant and equipment	6	294	190
Operating surplus		10,686	8,29
Decrease in fixed asset investments	14	-	(142)
Net interest	7	191	119
Interest payable and financing costs	7	(1,864)	(1,766)
Loan breakage costs	7	(6,941)	-
Surplus for the year		**2,072**	**6,501**
Actuarial (loss) / gain in respect of pension schemes	12	(1,386)	1,508
Total comprehensive income for the year		**686**	**8,009**

The financial statements on pages 33 to 62 were approved by the Board and authorised for issue on 20 August 2019 and signed on its behalf by:

Simon Sweetinburgh
Chair

Andrew Martyn-Johns
Board Member

Philippa Armstrong-Owen
Company Secretary

The notes on pages 37-62 form part of these financial statements.

Statement of financial position as at 31 March 2019

	Note	Consolidated 2019 £000	Consolidated 2018 £000	Association 2019 £000	Association 2018 £000
Fixed assets			**Restated**		**Restated**
Tangible fixed assets – housing	13	124,777	113,133	124,777	113,133
Tangible fixed assets – other	13	21,731	19,803	12,625	10,055
Investments in subsidiaries	14	-	-	5,070	5,070
		146,508	**132,936**	**142,472**	**128,258**
Current assets					
Stock	15	935	400	723	400
Trade and other debtors	16	5,601	8,055	10,753	12,840
Cash and cash equivalents	17	38,952	11,269	33,780	7,749
		45,488	**19,724**	**45,256**	**20,989**
Less Creditors: amounts falling due within one year	18	(8,609)	(6,895)	(7,929)	(6,708)
Net current assets		36,879	12,830	37,327	14,281
Total assets less current liabilities		183,387	145,766	179,799	142,539
Creditors: amounts falling due after more than one year	19	(97,411)	(59,329)	(97,482)	(59,403)
Provisions for liabilities:					
Pension provision	12	(12,283)	(10,407)	(12,283)	(10,407)
VAT shelter		(1,934)	(5,317)	(1,934)	(5,317)
Total net assets		**71,759**	**70,713**	**68,100**	**67,412**
Reserves					
Income and expenditure reserve Restated		71,759	70,713	68,100	67,412
Total reserves		**71,759**	**70,713**	**68,100**	**67,412**

The financial statements on 33 to 62 were approved by the Board and authorised for issue on 20 August 2019 and signed on its behalf by:

Simon Sweetinburgh
Chair

Andrew Martyn-Johns
Board Member

Philippa Armstrong-Owen
Company Secretary

The notes on pages 37-62 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2019

	Income and expenditure reserve £'000
Balance as at 1 April 2017	60,401
Total comprehensive income for the year	
Surplus for the year before pension movement	7,112
Actuarial Surplus on pension scheme	1,508
Restatement (*detailed below)	1,692
Balance as at 1 April 2018 restated	70,713
Surplus for the year before pension movement	2,432
Actuarial loss on pension scheme	(1,386)
Balance as at 31 March 2019	**71,759**

* In 2018/19, the Accounting Policies were reviewed to include windows and doors as a property component. This resulted in a restatement of 2017/18 figure of £1.7million.

The notes on pages 37-62 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Net cash generated from operating activities		16,622	14,357
Cash flow from investing activities			
Purchase of tangible fixed assets		(18,959)	(16,712)
Proceeds from the sale of tangible fixed assets		634	1,418
Grants received		1,214	680
Interest received		71	14
		(17,040)	(14,600)
Cash flow from financing activities			
Interest and finance costs paid		(9,290)	(1,438)
Interest element of finance lease rental payments		-	(4)
New secured loans		100,000	-
Repayment of borrowings		(62,500)	-
Capital element of finance lease repayments		(110)	177
		28,100	(1,265)
Net change in cash and cash equivalents		27,683	(1,508)
Cash and cash equivalents at beginning of year		11,269	12,777
Cash and cash equivalents at end of year	**17**	**38,952**	**11,269**

	Note	2019 £'000	2018 £'000
Cashflow from operating activities		1,045	7,112
Adjustments for non-cash items:			
Depreciation of tangible fixed assets		5,047	4,600
Amortisation of grants and fees		(58)	(61)
Increase in stock		(535)	(25)
Decrease in trade and other debtors		2,454	2,442
Increase / (Decrease) in trade and other creditors		1,518	(1,622)
Decrease in provisions		(1,507)	-
Pension costs less contributions payable		218	349
Carrying amount of tangible fixed asset disposals		340	241
Adjustments for investing or financing activities:			
Proceeds from the sale of tangible fixed assets		(634)	(1,418)
Grants repaid		-	987
Interest and financing costs		8,805	1,766
Interest received		(71)	(14)
Net cash generated from operating activities		**16,622**	**14,357**

The notes on pages 37-62 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2019

Legal status

NSAH (Alliance Homes) is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a provider of social housing. The registered office is 40 Martingale Way, Portishead, BS20 7AW.

1. Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2015. The accounts comply with 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. The accounts are prepared on the historical cost basis of accounting.

The Association is a Public Benefit Entity.

The accounts are prepared in £s and rounded to the nearest thousand.

Basis of consolidation

The Association is required to produce group accounts. These financial statements are group statements and have been prepared by consolidating the results of Alliance Homes with its active subsidiaries:

- Alliance Homes (Ventures) Limited
- Alliance Living Care Limited
- Alliance Homes Partnerships Limited.

The Group's financial statements have been prepared in compliance with FRS102.

In preparing the separate financial statements of the parent company, advantage has been taken of the exemption available in FRS102 not to prepare a statement of cash flows.

Going concern

The Group's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. No significant concerns have been noted. We consider it appropriate to continue to prepare the financial statements on a going concern basis.

Critical accounting judgements and key sources of estimation uncertainty

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

Development expenditure

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

Impairment

Housing properties are subject to impairment reviews when a trigger has occurred in accordance with the SORP. Other assets and investments are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to the recoverable amount, being the higher of the net realisable value or the value of the use to the group. Any such write down is recognised by a charge to the Statement of Comprehensive Income.

Pension and other post-employment benefits

The Association participates as an admitted body in the Local Government Pension Scheme administered by Avon Pension Fund, a defined benefit final salary scheme. Pension costs are assessed in accordance with the advice of an independent qualified actuary. The operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any other changes in fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

The Avon Pension Fund scheme was closed to new members from 1 January 2010.The Association operates a defined contribution scheme to provide retirement benefits for all employees joining Alliance Homes after 1 January 2010. Contributions to the scheme are calculated as a percentage of pensionable salary and are charged to the income and expenditure account. Monthly contributions from each member are invested in the scheme in accordance with the wishes of each member.

Turnover and revenue recognition

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other income including goods and services supplied in the year and revenue grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

A Gift Aid receipt of £420k (2017/18: £0k) was received from Alliance Homes (Ventures) Ltd relating to profits in 2017/18.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

Support income and costs including Supporting People income and costs

Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Service charges

Alliance Homes operates both fixed and variable service charges on a property by property basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years. This increases or decreases the charges in the year.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents. Until these costs are incurred this liability is held in the Statement of Financial Position within creditors.

Loan interest costs

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

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

b. Interest on borrowings of the association as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Interest on any borrowings associated with business improvement initiatives is also capitalised.

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

Loan finance issue costs

These are recognised in the Statement of Comprehensive Income in the year in which they are incurred. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the income and expenditure account in the year in which the redemption took place.

Loan breakage costs of £6.941m were charged in 2018/19. This related to the early repayment of the previous loan with Barclays Bank.

Taxation

The Association has charitable status as it is registered as a charitable social landlord under the Co-operative and Community Benefit Societies Act, No: 29804R. Alliance Homes (Ventures) Ltd, Alliance Living Care Ltd and Alliance Homes Partnerships Limited are not charitable.

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Except as noted below, full provision for deferred taxation is made under the liability method to the extent it is liable to crystalise within the foreseeable future. In accordance with FRS 102, deferred tax is not provided for gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over. Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Value added tax

The Association charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Association and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

There is a VAT Shelter Sharing Agreement with North Somerset Council which was part of the Development Agreement. As a result, the VAT incurred on the social housing properties stock improvement programme is recoverable. The balance of the VAT recoverable at the year end is included as a part of the overall net VAT current liability or current asset in the Statement of Financial Position.

Alliance Homes Partnerships Limited has been approved by HMRC as a Cost Sharing Group. This means that the company is able to charge partners for work carried out without the addition of VAT.

Housing properties

Housing properties are principally dwellings available for rent and are stated at cost less depreciation, whether deemed cost or valuation. Cost includes the cost of acquiring land and buildings (including legal fees) and expenditure incurred in respect of improvements.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works which result in an increase in the net rental income stream over the life of the property, thereby enhancing the economic benefits of the assets, are capitalised as improvements. An increase in the net rental stream may arise through an increase in the rental income, a reduction in future maintenance costs, or a significant extension to the life of the property. Only the direct overhead costs associated with new developments or improvements are capitalised.

Tangible fixed assets and depreciation

Depreciation of housing properties

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

The Group depreciates the major components of its housing properties at the following annual rates:

Structure	1.0%
Roofs	2.0%
Kitchens	5.0%
Bathrooms and external wall insulation	3.3%
Central heating systems	6.7%
Boilers	8.3%
Electrical re-wiring	4.0%
Windows and doors	3.3%

Freehold land is not depreciated.

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

A new accounting policy for windows and doors was approved in 2018/19. This capitalises the expenditure on replacements and depreciates them over 30 years. The 2017/18 accounts have been restated to reflect this change in accounting policy.

Other tangible fixed assets and depreciation

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. The cost of all such items, exceeding £1,000, is capitalised and the principal annual rates used are:

Freehold land		Nil
Freehold offices	a range of	2% to 4%
Office refurbishment	over a period of	7 years
Furniture, fixtures and fittings		33%
Computers and office equipment		33%
Mobile surgery		20%
Operatives' vans*		33%
Photo-voltaic panels		4%
Photo-voltaic panel convertors		10%

* In line with the lease term. If the term is extended, depreciation is charged in line with extended term.

Business World On! (Alliance's financial management system) was capitalised on "Go Live" in April 2018 in line with the contract life of five years expiring on September 2022.

Intangible assets

The amortisation of intangible assets is calculated to write-off the costs over the estimated useful economic life of the asset. Impairment of intangible assets is only reviewed where circumstances indicate that the carrying value of an asset may not be fully recoverable. The amortisation rate of the loan facility fee is 4%.

Leasing and hire purchase

Assets held under finance leases are included in the Statement of Financial Position and depreciated over the life of the lease or their estimated useful economic lives in the business, if shorter. The present value of future rentals is shown as a liability.

The interest element of rental obligations is charged to the income and expenditure account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to the income and expenditure account as incurred.

Stock and properties held for sale

Stock is stated at the lower of cost and net realisable value less estimated cost of sale.

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

Donated land

Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between market value and cost is added to other grants. Where the donation is from a non-public source, the value of the donation is included as income.

Grants

Other grants are receivable from local authorities and other organisations. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

Social housing grant

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. Social Housing Grant (SHG) received for items of cost written off in the Statement of Comprehensive Income Account is included as part of Turnover.

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

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

Bad debt provision

The bad debt provision is based on recommendations from the Chartered Institute of Public Finance and Accountancy (CIPFA) and has been accepted by our external auditors. The policy has been in place since transfer and is a cautious policy. It provides for debt as follows:

	Provision made
Former rent debt	95%
Current rent debt	
Amounts between	
£100 – £250	10%
£250 – £500	25%
£500 – £750	50%
£750 – £1000	75%
Above £1000	95%

Categorisation of debt

The Group's debt has been treated as "basic" in accordance with paragraphs 11.8 and 11.9 of FRS 102. The Group has some fixed rate loans which have a two-way break clause (i.e. in addition to compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed rate is lower than the existing loan's fixed rate, compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan's fixed rate). The Financial Reporting Council (FRC) issued a statement on 2 June 2016 in respect of such loans with no prescriptive direction as to whether they should be classified as "basic" or "non basic". On the grounds that the Group believes the recognition of each debt liability at cost provides a more transparent and understandable position of the Group's financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, the Group has retained its "basic" treatment of its debt following the FRC announcement.

Financial instruments

Financial assets and liabilities are all stated at amortised cost.

2. Particulars of turnover, cost of sales, operating expenditure and operating surplus
Group – continuing activities

	2019				2018			
	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Operating Surplus £'000	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Operating Surplus £'000
Social housing lettings (note 3)	32,638	-	(24,392)	8,246	32,516	-	(22,447)	10,069
Other social housing activities								
First tranche Low-Cost Home - Ownership sales	3,121	(1,784)	-	1,337	2,229	(2,341)	-	(112)
Charges for support services	1,770	-	(1,412)	358	2,047	-	(3,454)	(1,407)
	4,891	(1,784)	(1,412)	1,695	4,276	(2,341)	(3,454)	(1,519)
Other								
Development services	-	-	(796)	(796)	-	-	(426)	(426)
Managed associations	60		(51)	9	58	-	(100)	(42)
	4,951	(1,784)	(2,260)	908	4,334	(2,341)	(3,980)	(1,987)
Activities other than social housing								
Commercial lettings	854	-	(376)	478	270	-	(129)	141
Community regeneration*	98	-	(424)	(327)	191	-	(802)	(611)
Electricity generation	1,852	-	(912)	939	1,792	-	(911)	881
Domiciliary care provision	2,812	-	(2,695)	117	2,567	-	(2,661)	(94)
Other	510	-	-	510	284	-	-	284
	43,715	**(1,784)**	**(31,060)**	**10,871**	**41,954**	**(2,341)**	**(30,930)**	**8,683**

*We hold £337k (2017/18 - £224k) restricted grant awarded by the Big Local Trust for the Worle Big Local Plan. Against this we have expenditure of £210k (2017/18 - £144k) which is included here.

2. Particulars of turnover, cost of sales, operating expenditure and operating surplus Association – continuing activities

	2019				2018			
	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Operating Surplus £'000	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Operating Surplus £'000
Social housing lettings (note 3)	32,638	-	(24,325)	8,313	32,516	-	(22,382)	10,134
Other social housing activities								
First tranche Low-Cost Home - Ownership sales	3,121	(1,784)	-	1,337	2,229	(2,341)	-	(112)
Charges for support services	1,770	-	(1,412)	358	2,047	-	(3,454)	(1,407)
	4,891	(1,784)	(1,412)	1,695	4,276	(2,341)	(3,454)	(1,519)
Other								
Development services	-	-	(796)	(796)	-	-	(426)	(426)
Managed associations	60	-	(51)	9	58	-	(100)	(42)
	4,951	(1,784)	(2,259)	908	4,334	(2,341)	(3,980)	(1,987)
Activities other than social housing								
Commercial lettings	854	-	(378)	476	270	-	(129)	141
Community regeneration*	325	-	(560)	(235)	418	-	(890)	(472)
Gift Aid	420	-	-	420	-	-	-	-
Other	510	-	-	510	284	-	-	284
	39,698	**(1,784)**	**(27,522)**	**10,392**	**37,822**	**(2,341)**	**(27,381)**	**8,100**

*We hold £337k (2017/18 - £224k) restricted grant awarded by the Big Local Trust for the Worle Big Local Plan. Against this we have expenditure of £210k (2017/18 - £144k) which is included here.

3. Particulars of turnover and operating expenditure from social housing lettings Group

	General housing* £'000	Supported housing £'000	Total 2019 £'000	Total 2018 £'000 Restated
Rent receivable net of identifiable service charges and net of voids	30,237	372	30,609	30,797
Service charge income	1,943	24	1,967	1,653
Amortised government grants	62	-	62	66
Turnover from social housing lettings	32,242	396	32,638	32,516
Expenditure on social housing lettings				
Management	(7,691)	(218)	(7,909)	(6,648)
Service charge costs	(1,883)	(73)	(1,956)	(2,037)
Routine maintenance	(4,984)	(63)	(5,047)	(3,457)
Planned maintenance	(3,032)	(37)	(3,069)	(1,638)
Major repairs expenditure	(2,790)	(35)	(2,825)	(5,577)
Bad debts	(256)	(3)	(259)	(162)
Depreciation of housing properties	(3,288)	(40)	(3,328)	(2,928)
Total operating expenditure on social housing lettings	**(23,923)**	**(469)**	**(24,392)**	**(22,447)**
Operating surplus on social housing lettings	**8,319**	**(73)**	**8,246**	**10,069**
Voids	**(395)**	**(5)**	**(400)**	**(300)**

* Included in General Housing is an immaterial level of income and expenditure attributable to shared ownership properties.

The Association's operating surplus on social housing lettings is £67k higher than the Group's operating surplus (2017/18: £65k higher) due to additional management fees charged to Alliance Homes (Ventures) Ltd and Alliance Living Care Ltd being eliminated on Group consolidation.

4. Accommodation owned, managed and in development

At the end of the year accommodation in management was as follows:

	Group		Association	
	2019 No.	2018 No. Restated	2019 No.	2018 No. Restated
Social housing				
General housing				
- Social rent	5,689	5,597	5,689	5,597
- Affordable rent	524	513	524	513
Supported housing and housing for older people	78	97	78	97
Shared ownership	122	84	122	84
Market rented	3	3	3	3
Total owned	**6,416**	**6,294**	**6,416**	**6,294**

5. Accommodation owned, managed and in development

	Group		Association	
	2019 No.	2018 No. Restated	2019 No.	2018 No. Restated
Accommodation managed for others				
Low cost home ownership	194	194	194	194
Total managed	**6,610**	**6,488**	**6,610**	**6,488**

The Group also owns 1,686 (2017/18: 1,686) garages and 54 (2017/18: 54) shops and manages 508 (2017/18: 504) right to buy leasehold flats where the freehold is retained.

6. Gain on disposal of property, plant and equipment (fixed assets)

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Disposal proceeds (net of sums payable to North Somerset District Council)	637	439	633	439
Carrying value of fixed assets	(343)	(249)	(339)	(249)
	294	**190**	**294**	**190**

7. Net interest

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Interest receivable and similar income				
Interest receivable	71	14	71	14
Income from other investments	-	-	120	105
	71	**14**	**191**	**119**
		Restated		Restated
Interest payable and financing costs				
Finance leases	-	4	-	4
Loans*	9,010	1,476	9,010	1,476
Defined benefit pension charge	272	286	272	286
	9,282	**1,766**	**9,282**	**1,766**
On financial liabilities measured at fair value				
Interest capitalised on housing properties under construction	(477)	(152)	(477)	(152)
	8,805	**1,614**	**8,805**	**1,614**

*The loan interest cost above is inclusive of break costs of £6.941m incurred on refinancing during the year.

Finance leases are secured on the assets to which they relate.

8. Surplus on ordinary activities

The operating surplus is stated after charging:

	Group		Association	
	2019 £'000	**2018 £'000 Restated**	**2019 £'000**	**2018 £'000 Restated**
Auditor's remuneration (excluding VAT)				
Audit of the group financial statements	25	15	25	15
Audit of subsidiaries	9	4	-	-
Operating lease rentals				
Land and buildings	8	8	235	235
Depreciation of other fixed assets	1,717	1,671	1,080	1,040
Depreciation of housing properties	3,330	2,928	3,330	2,928
Amortisation of loan issue costs	4	4	-	-

9. Tax on surplus on ordinary activities

As a charity the Association is exempt from UK Corporation tax under s505ICTA 1988.

Group

Factors affecting the tax charge for the period

The charge for the year can be reconciled to the Statement of Comprehensive Income as follows:

	2019 £'000	**2018 £'000**
Surplus on ordinary activities – continuing operations	2,431	7,121
Tax on surplus at UK standard tax rate of 19% (2017/18: 19%)	462	1,353
Effect of:		
Surplus of charitable entity not subject to Corporation Tax	(394)	(1,342)
Movement in unrecognised deferred tax	(68)	(11)
Adjustment in respect of prior period	-	9
Tax charge for the year	-	9

Factors that may affect future periods

A deferred tax liability of £522k (2017/18: £401k) has not been recognised due to its unlikely crystallization in future years.

10. Key management personnel remuneration

Key Management Personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Alliance Homes Group Key Management Personnel consist of the Board and the Executive Team.

The aggregate emoluments paid to the executive officers, including the Chief Executive, during the year were £791k (2017/18 £546k). The emoluments of the highest paid director, the Chief Executive, excluding pension contributions but including National Insurance of £19k (2017/18 £17k), were £158k (2017/18 £149k). The aggregate amount of compensation paid to executive officers or former executive officers during the year was £88k (2017/18 £41k).

The aggregate emoluments paid to Board members were £42k (2017/18: £44k). Expenses paid during the year to Board and Committee members amounted to £6k (2017/18: £2k).

Payments to Board members were as follows:

		2019	2018
Chair	S. Sweetinburgh	10,217	10,254
Vice chair	J. Bird	2,584	5,300
Audit – chair	A. Martyn-Johns	5,100	5,100
Remuneration – chair	J. Field	5,100	5,100
Alliance Living Care – chair	C. Feehily	5,100	5,100
Board Member	C. Haines	1,733	2,725
Board Member	S. del Olmo	-	2,475
Board Member	M. McIsaac-Dunne	3,300	3,300
Board Member	A. Kemp	-	1,493
Board Member	C. Poole	3,300	3,300
Board Member	R. Gaunt	1,447	-
Board Member	A. Lane	1,447	-
Board Member	S. Frost	1,447	-
Co-optee	I. Watkins	1,531	-
		42,306	**44,147**

The executive officers including the Chief Executive Officer participate in the defined contribution pension scheme at the same contribution levels as all eligible staff. They do not participate in the Avon Pension Scheme. The employer's pension contribution paid on behalf of the Chief Executive amounted to £6k (2017/18: £2k).

The number of full-time equivalent colleagues whose remuneration payable fell within the following bands were:

	2019	2018
£60,001- £70,000	-	6
£70,001 - £80,000	2	1
£80,001 - £90,000	1	-
£90,001 - £100,000	1	-
£100,001 - £110,000	1	-
£110,001 - £120,000	1	1
£120,001 - £130,000	1	-
£130,001 - £140,000	1	1
£140,001 - £150,000	1	-

11. Employee information

	Group		Association	
	2019 No.	**2018 No.**	**2019 No.**	**2018 No.**
Average monthly number of employees (full time equivalents based on 37 hours a week):				
Administration	62	61	45	42
Development	8	4	8	4
Housing, support and care	257	276	151	177
Maintenance operatives	71	63	71	63
	398	**404**	**275**	**286**

	Group		Association	
	2019 £'000	**2018 £'000**	**2019 £'000**	**2018 £'000**
Employee costs:				
Wages and salaries	11,409	10,420	9,147	8,215
Social security costs	1,107	957	970	821
Other pension costs	952	760	892	721
	13,468	**12,137**	**11,009**	**9,757**

The Association's employees are members of the Avon Pension Scheme (a defined benefit scheme) or the Scottish Life Pension Fund (a defined contribution scheme). The employees of other Group members are members of the Avon Pension Scheme or NEST (a defined contribution scheme). Further information on the Avon Pension Scheme is overleaf.

12. Pension obligations

The Avon Pension Scheme ("the scheme") is a multi-employer scheme which is administered by the Avon Pension Fund under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2019.

Total contributions to the scheme by the Association for the year ended 31 March 2019 were £791k (2017/18 £740k) of which Employers Contributions totalled £618k (2017/18: £561k) at a contribution rate of 19% (2017/18: 17.9%) of pensionable salaries. This increases to 20.0% in 2019/20.

Estimated employer's contributions to the scheme during the accounting period commencing on 1 April 2019 are £656k including £122k deficit recovery.

Principal actuarial assumptions

The major assumptions used by the actuary in assessing scheme liabilities on an FRS102 basis were:

	2019 % per annum	2018 % per annum
Rate of increase in salaries	3.7	3.6
Rate of increase in pensions in payment	2.3	2.2
Discount rate	2.5	2.7
Inflation assumption - CPI	2.2	2.1

Post retirement mortality assumptions:

	2019	2018
Non-retired members (retiring in the future in normal health)	94% S2PA CMI_2015 (1.75%) (males) 81% S2PA CMI_2015 (1.5%) (females)	94% S2PA CMI_2015 (1.75%) (males) 81% S2PA CMI_2015 (1.5%) (females)
Current members (retired in normal health)	93% S2PA CMI_2015 (1.75%) (males) 85% S2PA CMI_2015 (1.5%) (females)	93% S2PA CMI_2015 (1.75%) (males) 85% S2PA CMI_2015 (1.5%) (females)

Life expectancy:

	2019	2018
Of a male (female) future pensioner aged 65 in 20 years' time	26.2 (28.8)	26.3 (29.0)
Of a male (female) current pensioner aged 65	23.6 (26.1)	23.7 (26.2)
Commutation of pension for lump sum at retirement:	50% take maximum cash, 50% take 3/80ths cash	

12. Pension obligations (continued)

	2019 £'000	2018 £'000
Analysis of the amount charged to operating costs in the Statement of Comprehensive Income		
Current service costs	657	897
Effect of curtailments or settlements	169	-
Total Operating Charge	**826**	**897**
Analysis of pension finance income / (costs)		
Expected return on pension scheme assets	671	628
Interest on pension liabilities	(943)	(914)
Amounts charged to financing costs	**(272)**	**(286)**
Amount of gains and losses recognised in the Statement of Comprehensive Income		
Actuarial gains / (losses) on pension scheme assets	900	(168)
Actuarial (losses) / gains on scheme liabilities	(2,286)	1,676
Actuarial (loss) / gain recognised	**(1,386)**	**1,508**

	Fair value 31-Mar-19 £000	Fair value 31-Mar-18 £000
Fair value of assets		
Equities	10,718	10,109
Government bonds	3,210	2,669
Other bonds	3,104	445
Property	2,573	2,200
Cash/liquidity	451	890
Other	6,473	8,404
	26,529	**24,717**

	2019 £'000	2019 £'000
Changes in present value of defined benefit obligations		
Opening defined benefit obligation	(35,124)	(35,337)
Service cost	(657)	(897)
Interest cost	(943)	(914)
Member contributions	(173)	(179)
Remeasurements	(2,286)	1,676
Benefits paid/transfers paid	540	527
Curtailments	(169)	-
Closing defined benefit obligation	**(38,812)**	**(35,124)**

12. Pension obligations (continued)

	2019 £'000	2018 £'000
Change in plan assets		
Opening fair value of plan assets	24,717	24,057
Interest on plan assets	671	628
Remeasurements (assets)	900	(168)
Administration expenses	(10)	(13)
Employer contributions	618	561
Member contributions	173	179
Benefits / transfers paid	(540)	(527)
Closing fair value of plan assets	**26,529**	**24,717**

	2019	2018
Major categories of plan assets as a percentage of total plan assets		
Equities	40%	41%
Bonds	12%	11%
Other bonds	12%	2%
Property	10%	9%
Cash / Liquidity	2%	3%
Other	24%	34%

	2019 £'000	2018 £'000
Actual return on plan assets		
Actual return on plan assets	**1,571**	**460**

Amounts for the current and previous three periods are as follows:

	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Present value of defined benefit obligation	(38,812)	(35,124)	(35,337)	(26,973)
Fair value of scheme assets	26,529	24,717	24,057	20,336
Deficit on scheme	**(12,283)**	**(10,407)**	**(11,280)**	**(6,637)**

13. Tangible fixed assets – housing properties

	Social housing properties held for letting £'000	Shared ownership properties held for letting £'000	Housing properties under construction £'000	Total £'000
Group and Association				
Cost				
At 1 April 2018 restated	120,092	3,512	9,129	132,733
Additions to properties	-	-	10,946	10,946
Works to existing properties	4,363	-	-	4,363
Transfers	11,975	3,289	(15,264)	-
Disposals	(515)	1	-	(514)
At 31 March 2019	**135,915**	**6,802**	**4,811**	**147,528**
Depreciation				
At 1 April 2018 restated	(18,690)	(910)	-	(19,600)
Charge for the year	(3,287)	(43)	-	(3,330)
Impairment	-	-	-	-
Disposals	179	-	-	179
At 31 March 2019	**(21,798)**	**(953)**	**-**	**(22,751)**
Net book value as at 31 March 2019	**114,117**	**5,849**	**4,811**	**124,777**
At 31 March 2018 restated	101,402	2,602	9,129	113,133

Included within housing properties is £174k (2017/18: £175k) for a community hall.

Housing properties comprise:

	Group		Association	
	2019 £'000	2018 £'000 Restated	2019 £'000	2018 £'000 Restated
Freehold	124,218	112,563	124,218	112,563
Long leasehold	559	570	559	570
	124,777	**113,113**	**124,777**	**113,113**

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Expenditure on works to existing properties				
Improvement works capitalised	925	-	925	-
Components capitalised	3,438	3,444	3,438	3,444
Amounts charged to income and expenditure	2,825	4,413	2,825	4,413
	7,188	**7,857**	**7,188**	**7,857**

13. Tangible fixed assets – other

	Freehold offices £'000	Office and other equipment £'000	Motor vehicles £'000	IT £'000	Photovoltaic panels £'000	Total £'000
Group						
Cost						
At 1 April 2018	11,093	139	401	4,214	12,993	28,840
Additions	2,174	-	(16)	1,492	-	3,650
Disposals	-	-	(9)	-	-	(9)
Transfers	-	-	-	-	-	-
At 31 March 2019	**13,267**	**139**	**376**	**5,706**	**12,993**	**32,481**
Depreciation and Impairment						
At 1 April 2018	(2,295)	(115)	(205)	(3,133)	(3,289)	(9,037)
Charge for the year	(363)	(23)	(126)	(585)	(620)	(1,717)
Released on disposal	-	-	4	-	-	4
Transfers	-	-	-	-	-	-
At 31 March 2019	**(2,658)**	**(138)**	**(327)**	**(3,718)**	**(3,909)**	**(10,750)**
Net book value at 31 March 2019	**10,609**	**1**	**49**	**1,988**	**9,084**	**21,731**
At 31 March 2018	8,798	24	196	1,081	9,704	19,803

The net book value of assets held under finance leases amounted to £49k (2017/18 - £202k).

13. Tangible fixed assets (continued)

	Freehold offices £'000	Office and other equipment £'000	Motor vehicles £'000	IT £'000	Total £'000
Association					
Cost					
At 1 April 2018	11,093	139	392	4,145	15,769
Additions	2,174	-	(16)	1,492	3,650
Disposals	-	-	-	-	-
At 31 March 2019	**13,267**	**139**	**376**	**5,637**	**19,419**
Depreciation					
At 1 April 2018	(2,296)	(115)	(203)	(3,100)	(5,714)
Charged in year	(363)	(23)	(126)	(568)	(1,080)
Disposals	-	-	-	-	-
At 31 March 2019	**(2,659)**	**(138)**	**(329)**	**(3,668)**	**(6,794)**
Net book value at 31 March 2019	**10,608**	**1**	**47**	**1,969**	**12,625**
At 31 March 2018	8,797	24	189	1,045	10,055

The net book value of assets held under finance leases amounted to £49k (2017/18 – £202k).

14. Fixed Asset Investments

Group companies

The Group comprises the following entities, all registered in England.

Name	Incorporation and ownership	Regulated/ non-regulated	Nature of Business
NSAH (Alliance Homes) Limited (AHL)	Company 100%	Regulated by the Regulator of Social Housing	Registered Provider
Alliance Living Care Ltd (ALC)	Company 100%	Regulated by Care Quality Commission	Domiciliary Care
Alliance Homes (Ventures) Ltd (AHV)	Company 100%	Non-regulated	Electricity Generation
Alliance Homes Partnerships Limited (AHP)	Company 98%	Non-regulated	Repairs and Maintenance
Alliance Homes Design & Build Company Limited (AHD&B)	Company 100%	Non-regulated	Design and Build
Alliance Homes Sales Limited (AHS)	Company 100%	Non-regulated	Non-regulated Property Sales

	AHL £'000	ALC £'000	AHV £'000	AHP £'000	AHD&B £'000	AHS £'000
Cost						
At start of year	-	70	5,000	-	-	-
Additions	-	-	-	-	-	-
At end of year	-	**70**	**5,000**	-	-	-
Share of retained profits						
As at start of year	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-
At end of year	-	-	-	-	-	-
Net book value						
At 31 March 2019	-	**70**	**5,000**	-	-	-
At 31 March 2018	-	**70**	**5,000**	-	-	-

At 31 March 2019 the Group has the following interests in joint ventures and associates:

	2019 £'000	2018 £'000
Share of current assets	-	-
Share of liabilities - due within one year	15	-
Share of liabilities - due after more than one year	-	-
Share of net assets	**15**	-
Share of capital commitments	-	-

15. Stock

	Group		Association	
	2019 £'000	**2018 £'000**	**2019 £'000**	**2018 £'000**
Properties held for sale	723	284	723	284
Work in progress	17	-	-	-
Materials stock	195	116	-	116
	935	**400**	**723**	**400**

16. Trade and other debtors

	Group		Association	
	2019 £'000	**2018 £'000**	**2019 £'000**	**2018 £'000**
Due within one year				
Rent and service charges receivable	2,389	2,148	2,319	1,952
Less: Provision for bad and doubtful debts	(1,585)	(1,394)	(1,558)	(1,320)
	804	754	761	632
Amount due from North Somerset District Council	318	427	167	79
Amount due from subsidiary undertakings	(1)	-	1,525	497
Other debtors	746	437	455	434
Prepayments and accrued income	1,800	1,120	911	881
	3,667	**2,738**	**3,819**	**2,523**
Due after more than one year				
Alliance Homes (Ventures) Ltd	-	-	5,000	5,000
VAT Shelter Agreement	1,934	5,317	1,934	5,317
	1,934	**5,317**	**6,934**	**10,317**
Total debtors	**5,601**	**8,055**	**10,753**	**12,840**

17. Cash and cash equivalents

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Money market investments	7,346	2,521	7,346	2,521
Cash at bank and in hand	31,606	8,748	26,434	5,228
	38,952	**11,269**	**33,780**	**7,749**

18. Creditors: amounts falling due within one year

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade creditors	1,009	(1)	880	(2)
Rent and service charges paid in advance	697	597	697	597
Other taxation and social security	353	239	298	201
Amounts owed to North Somerset District Council	1,551	1,948	1,551	1,948
Accruals and deferred income	4,851	3,862	4,355	3,719
Other creditors	27	32	27	27
Government grants (note 20)	72	66	72	66
Obligations under finance leases (note 23)	49	152	49	152
	8,609	**6,895**	**7,929**	**6,708**

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

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Bank and other loans (note 28)	90,000	52,500	90,000	52,500
Less: issue costs	(590)	(74)	(519)	-
Government Grants (note 20)	7,832	6,686	7,832	6,686
Recycled Capital Grant Fund (note 21)	16	16	16	16
Disposals Proceeds Fund (note 22)	153	153	153	153
Obligations under finance leases (note 23)	-	48	-	48
	97,411	**59,329**	**97,482**	**59,403**

20. Deferred capital grants

	2019 £'000	2018 £'000
At 1 April 2018	6,752	6,588
Grants received during the year	1,214	230
Released to income in the year	(62)	(66)
At 31 March 2019	**7,904**	**6,752**
Due within one year	**72**	**66**
Due in more than one year	**7,832**	**6,686**
	7,904	**6,752**
Total grants received	8,611	7,397
Total grants repaid	(296)	(296)
Total grants transferred to Recycled Capital Grant Fund	(16)	(16)
Total grants amortised	(395)	(333)
	7,904	**6,752**

21. Recycled capital grant fund

	2019 £'000	2018 £'000
At 1 April	16	16
Interest accrued	-	-
At 31 March	**16**	**16**

22. Disposal proceeds fund

	2019 £'000	2018 £'000
At 1 April	153	153
Interest accrued	-	-
At 31 March	**153**	**153**

23. Obligations under finance leases

	2019 £'000	2018 £'000
Association and Group minimum finance lease payments		
Within one year	49	152
Between one and five years	-	48

24. Non-equity share capital

	2019 £'000	2018 £'000 Restated
Group and Association		
Number of members		
At 1 April 2018	29	34
Joining during the year	4	-
Leaving during the year	(1)	(5)
At 31 March 2019	**32**	**29**

The shares provide members with the right to vote at general meetings of the Association, but do not provide any rights to dividends or distributions on a winding up.

25. Capital commitments

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Capital expenditure commitments were as follows:				
Capital expenditure contracted for but not provided in the financial statements	9,508	13,508	9,508	13,508
Capital expenditure authorised by the Board but not contracted	94,745	15,832	94,745	13,557

The above commitments will be financed primarily through borrowings which are available for draw-down under existing loan arrangements.

26. Obligations under operating leases

	2019 £'000	2018 £'000
Association and Group minimum operating lease payments		
Within one year	8	8
Between one and five years	32	32
After more than 5 years	56	64

27. Related parties

As required by statute, the financial statements consolidate the results of Alliance Homes (Ventures) Ltd, Alliance Living Care Ltd and Alliance Homes Partnerships Limited which were subsidiaries at the end of the year. The Association has the right to appoint members to the boards of the three subsidiaries and thereby exercises control over them. Alliance Living Care Ltd is registered by the Care Quality Commission and Alliance Homes (Ventures) Ltd and Alliance Homes Partnerships Limited are non-regulated companies.

NSAH (Alliance Homes) Limited is the ultimate parent company.

During the year the Association had the following intra-group transactions:

		2019 £'000	2018 £'000
Alliance Homes (Ventures) Ltd	**Allocation Basis**		
Management services	Time spent	12	12
Payment for electricity generated by Alliance Homes (Ventures) Ltd for NSAH (Alliance Homes) Limited's tenants	Export tariff received	136	88
Gift Aid		420	-
Roof lease payments	Legal agreement	226	227
		794	**327**
Alliance Living Care Limited			
Overhead recharge	Agreed management fee	**55**	**53**

The net assets of Alliance Living Care Ltd at 31 March 2019 were £132k.

28. Financial instruments and risk management

	2019 £'000	2018 £'000
Financial assets		
Financial assets measured at historical cost		
Trade receivables	2,389	2,148
NSC receivables	2,252	5,744
Other receivables	745	437
Cash and cash equivalents	38,952	11,269
	44,338	19,598
Financial liabilities		
Financial liabilities measured at amortised cost		
Loans payable	90,000	52,500
Financial liabilities measured at historical cost		
Trade creditors	1,009	(1)
NSC creditors	1,551	1,948
Other creditors	218	320
Accruals	5,928	4,730
	98,706	59,497

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Debt analysis				
Due after more than one year				
Bank loans	90,000	52,500	90,000	52,500
Less issue costs	(590)	(74)	(519)	-
Total loans	**89,410**	**52,426**	**89,481**	**52,500**
Based on lenders earliest repayment date, borrowings are repayable as follows:				
Five years or more	**89,410**	**52,426**	**89,481**	**52,500**
Undrawn facilities	**-**	**27,500**	**-**	**27,500**

£70m of the loan outstanding is at a fixed rate of 3.745% for the full duration of the loan term.
£20m of the loan outstanding is at variable rate interest.

Loans are secured on the assets of the Association.

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