

**TOWER HAMLETS COMMUNITY  
HOUSING**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended**

**31 MARCH 2020**

## TOWER HAMLETS COMMUNITY HOUSING

### BOARD

Nick Abbey                      Chair  
Carlo Gibbs  
Charles Moran  
Clare Harrisson  
Faisal Butt  
Mark Thrasher  
Jennifer Simnett  
Karanjit Randhawa  
Steve Winney  
Eстера Gliwska  
Kevin Brady                      appointed 26 September 2019  
Shad Chowdhury                appointed 26 September 2019

### EXECUTIVE MANAGEMENT TEAM

Philip Sullivan (Chief Executive)  
Pam Bhamra (Director of Operations)  
David Joyce (Director of Resources to 24 January 2020)  
Rosemary Farrar (Interim Director of Resources 6 February 2020 to 30 April 2020)  
Helen Neal (Director of Resources from 14 April 2020)

### SECRETARY

David Joyce (to 24 January 2020)  
Philip Sullivan (from 24 January 2020 until 23 July 2020)  
Helen Neal (from 24 July 2020)

### BANKERS

Barclays Bank  
Level 27  
1 Churchill Place  
London  
E14 5HP

### AUDITOR

Mazars LLP  
6 Sutton Plaza  
Sutton Court Road  
Sutton  
Surrey SM1 4FS

### REGISTERED OFFICE

285 Commercial Road  
London E1 2PS

### STATUTORY REGISTRATIONS

Registered Co-operative and Community Benefit Societies  
No. 7791  
Registered Provider of Social Housing  
No. L4260

# **TOWER HAMLETS COMMUNITY HOUSING**

## **CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2020**

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## **TOWER HAMLETS COMMUNITY HOUSING**

### **BOARD REPORT AND STRATEGIC REPORT CHAIR STATEMENT**

On behalf of the Board, I am pleased to present its annual report and the audited financial statements for the year ended 31 March 2020.

During the year we continued to work closely with the Regulator of Social Housing (RSH) and with our close partner, the London Borough of Tower Hamlets (LBTH). We were delighted to be upgraded by the RSH to the top G1 governance grading in March 2020. This followed an In Depth Assessment by the RSH that involved a number of my Board and staff colleagues. This great outcome is an important milestone for THCH.

None of us predicted this time last year the challenges that the Covid-19 pandemic would bring and the terrible impact it would have on so many people, not least our own residents. THCH comprehensively prepared for the lockdown which meant that essential services and compliance activity continued uninterrupted. Our robust approach to risk management meant that we were able to adapt our governance and service offer ensuring both remained effective. We have also been able to use our community centres for activities that have supported some of the most vulnerable members of the community. We are not complacent and expect Covid-19 to remain a challenge for some time.

The tragic events at Grenfell Tower remain at the forefront of our minds at THCH. We have maintained our high level of investment in fire safety and prevention works and I am pleased to report that we have completed work to replace the ACM cladding on our homes at Repton Street. In response to cladding surveys of our taller buildings completed this year we will carry out further proactive fire safety work. We recognise that this means our spending per home will remain high, however, we all see resident safety as our top priority.

The Board was pleased that for 2019/20 THCH had achieved its Corporate Objectives. In reaching this conclusion Board reviewed the outcome of the 2019/20 Corporate Action Plan and, as part of this considered the evidence of value for money (VFM) against each action. We recognise that improving VFM needs to be a priority for THCH and the Board has continued to assess our performance against a range of metrics. We reduced our spend on temporary staff and overheads during 2019/20 and will continue this trend in the forthcoming year. Other achievements welcomed by the Board (not contained in the Plan) included improved performance (better than target) on rent arrears and excellent performance across the whole range of compliance areas.

The Board remains committed to building new homes so that we can help meet the significant local housing need. We adopted a new Development Strategy in March 2020 and I am excited by the opportunities that this is creating for the year ahead.

We have continued to invest in and support the valuable work of our many community groups, whether they are aimed at helping people to get back into work or teaching new skills such as cooking and gardening. We are also keen to continue improving the ways we listen to our residents and I appreciate the ongoing work of our Resident Scrutiny Panel.

My personal thanks go to the staff team, led by our Chief Executive Philip Sullivan, to my Board colleagues (including two new members who we have welcomed this year, Kevin Brady and Shad Chowdhury) and to New Homes Board and Committee colleagues. I am grateful for their hard work, diligence, good humour and considerable contribution of time during this past year. We all look forward to the year ahead.

**Nick Abbey, Chair Tower Hamlets Community Housing**

## TOWER HAMLETS COMMUNITY HOUSING

### BOARD REPORT AND STRATEGIC REPORT (continued)

#### AN OVERVIEW OF OUR STRATEGY

##### Business

The principal activity of THCH is the provision of good quality, affordable housing for people on low incomes who are in housing need.

All surpluses generated by THCH are invested either in the improvement of existing housing stock or in the provision of new housing.

In June 2018 THCH changed its corporate status from a company limited by guarantee to a Community Benefit Society. THCH is registered with the Financial Conduct Authority and with the Regulator for Social Housing (RSH) as a Registered Provider of Social Housing.

##### Objectives

THCH's three corporate objectives are;

- Provide great homes
- Deliver excellent services
- Value our people

A comprehensive action plan has been developed to ensure we deliver these objectives going forward.

##### Strategy

In order to deliver our objectives, we have employed a range of strategies including:

- Better asset management focusing on both sustainability, financial performance and safety of our homes;
- A review of our Strategy identifying both opportunities to provide new homes and regenerate schemes within our portfolio; and
- A greater use of ICT to reduce operating costs and improve services, including self service by residents.

##### Development of new homes

We believe that a central part of our mission is to develop more housing for people in Tower Hamlets who are not able to access housing at market rates either for rent or to buy. The development of homes for market sale and rent will help facilitate this mission and will also support THCH's Vision of *Building Connected Communities*.

We aim to build circa 200 "affordable" new homes over the next 6 years. This growth will be used to generate additional income for core charitable activities whilst meeting local housing need and contributing towards mixed and inclusive communities.

##### Future Prospects

Our main areas of focus for 2020/21 are to

- Continue to work with our customers and support them to mitigate the impact of Covid-19
- Continue the journey towards developing new homes with the London Borough of Tower Hamlets;
- Enhance our performance culture;
- Underpin our future plans via our new funding strategy; and
- Introduce a target operating model for services.

Whilst we are ambitious and committed to building new homes, our priority is the safety of existing residents. Our development spend on new homes has been set in the Business Plan at a level that allows for the required investment in additional fire safety work to THCH's current homes. This is supported by the approved Treasury Strategy.

We will continue to provide our Community Development Services, providing support to our customers who are interested in training or developing new skills, need help maximising their benefit or who wish to take part in activities in their community including health and wellbeing, peer support and education.

## TOWER HAMLETS COMMUNITY HOUSING

### BOARD REPORT AND STRATEGIC REPORT (continued)

#### Risk Management

THCH views risk management as integral to good business practice. The Board accepts its responsibilities for ensuring that both strategic and major risks to which THCH is exposed are identified and that there are systems in place to mitigate them. There is a continuous process for identifying, evaluating, and managing the significant risks faced by THCH, not all of which are within its control. In 2019/20 a full review of the risk framework was undertaken with a focus of greater risk mitigation and improved warning processes.

The Board has identified the following as the highest four principal mitigated risks to THCH after mitigations have been put into place. They are listed in order of the risk scoring methodology used by THCH.

Table 1: Four highest mitigated risks

Risk	Explanation	Mitigation
Covid-19 pandemic	<p>Lockdown in response to the Covid-19 pandemic started 23 March. Other than essential work the UK population was instructed to stay at home.</p> <p>Delays to easing lockdown or later waves of the virus could severely disrupt THCH's ability to provide services, collect income, pay contractors and suppliers and deliver a range of essential functions.</p> <p>Release from the lockdown is anticipated to be gradual and the virus is expected to remain a significant issue for 12-18 months.</p>	<p>Action plans to enable as many staff as possible to work from home have been developed for each team.</p> <p>Contingency plans have been developed to reduce risk to residents if staff are not able to visit estates.</p> <p>Additional controls identified at 19 March Board meeting all implemented. These include an increase of liquidity (£3m loan drawdown) and updated Standing Orders.</p> <p>Staff Business Continuity Group meeting daily and Recovery Action Group (RAG) receiving weekly updates either by email or matting (fortnightly). RAG oversees a Covid-19 specific Risk Map and relevant strategic KPI's</p>
Major Fire Incident	<p>Risk to life heightened during the pandemic with more people at home and less contractor activity on fire safety work.</p> <p>Risk of enforcement action and possible criminal proceedings.</p>	<p>Weekly updates on actions arising from Fire Risk Assessments (FRA's) reported to senior managers.</p> <p>Updates on FRA action progress and fire safety major works reported to and considered at each Operations Committee meeting.</p> <p>Fire safety FRA's is a KPI reported at each Board meeting.</p> <p>Continue to hold meetings of the Fire Safety Steering Group (chaired by the Chief Executive) and seek to continue where possible with actions being progressed for the highest priority blocks.</p> <p>Continue with fire safety inspections.</p> <p>Have the option to report to the Recovery Action Group (RAG) for any decisions that would ordinarily have been reported to the newly established Fire Safety Working Group (FSWG) due to the consistent membership between these two groups and frequency of RAG meetings.</p> <p>Continue providing a fire safety update at each Board meeting.</p> <p>Include fire safety KPI's regarding waking watch and FRA's in the routine reporting to RAG.</p> <p>Monitor staff absence levels daily and review any implications for fire safety management.</p>
Health & Safety compliance failure	<p>Health &amp; Safety compliance failure leading to any of death, serious injury, non-compliance to regulatory standards and breaching legislation.</p>	<p>Performance reporting in place to Management Team and Operations Committee. An overarching H&amp;S policy is in place and internal H&amp;S forum meet to discuss and review H&amp;S. There are weekly internal meetings monitoring fire safety.</p> <p>Training for staff on fire safety and asbestos awareness has taken place. An action plan for H&amp;S is in place and monitored by the H&amp;S Forum.</p>
Failure to comply with loan covenants	<p>Failure to comply with lenders covenants is heightened during the pandemic due to the impact on income collection directly relating to the EBITDA covenant. Income</p>	<p>Routinely report covenant compliance to RAG.</p> <p>Report on the 3 Golden Rules (liquidity, debt leverage, and interest cover) within the management accounts will continue.</p>

## TOWER HAMLETS COMMUNITY HOUSING

	<p>collection is being directly impacted by some residents being less able to pay their rent whilst unable to work as well as increased void loss as it is not possible to let all empty properties during the pandemic.</p> <p>Potential recall of loans by lender, reduction in both financial viability and governance rating by RSH could follow a loan covenant breach.</p>	<p>Should refinancing during 2020 prove not to be an option then an extension to the covenant waiver will be sought in good time.</p>
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We continue to monitor and mitigate against our other top risks including:

- Failing to deliver services within the annual budget
- The impact of not re-financing in 2020/21
- Significant IT failure
- Strategic contractor failure
- Welfare reform
- Brexit

### BOARD REPORT AND STRATEGIC REPORT (continued)

#### Investment powers and policy

The Board approved the Investment policy in June 2019 providing a framework for all financial investment decisions. The Investment policy does not impose significant constraints on what could be a permissible investment. However, each investment will require a business case to be presented to the Board and Board officers will be required to operate within its Standing Orders and Treasury Policy, in addition to the Investment Policy. The Standing Orders sets the delegated authorities as to who may make decisions to invest and the Treasury Management Policy sets restrictions as to where cash may be invested.

Cash balances held are sufficient to cover short-term requirements and as a risk mitigation for a potential hard Brexit and the impact of Covid-19. This is supplemented by both a standard facility and a revolving credit facility from our lender, Santander. Therefore, with the exception of the subsidiary undertaking, investment in less liquid assets is not considered appropriate at this time.

### VALUE FOR MONEY

#### How have we ensured that we delivered Value for Money (VFM) in 2019/20?

The Board sets the Vision and Strategy for THCH and VFM is embedded within this strategic framework. Our clear and comprehensive strategic approach includes:

- Our Vision of Building Connected Communities has a specific theme of delivering great value services.
- Our Corporate Objectives of *Providing Great Homes*, *Delivering excellent services* and *Valuing our people* each have a VFM theme.
- VFM is embedded in every Corporate Objective action.
- Our VFM Strategy includes that we will:
  - Have a culture where staff strive for an efficient business that delivers good quality services for customers,
  - Create capacity by maximising income and minimising our cost base where possible,
  - Use our assets and resources to optimise options for delivering Corporate Objectives, and
  - Prioritise resources based on customer insight and consultation.
- Our Values include Openness and Partnership and these have been embedded throughout THCH.
- Our VFM and Corporate Objectives have been aligned with THCH and sector scorecard metrics to allow for effective Board oversight of performance.

All of THCH's decisions are made within this strategic VFM framework. This meant that during 2019/20 we:

- continued our programme of stock condition surveys and used this to ensure that our stock investment programme remains prioritised and an efficient use of resources. We have ensured that our stock condition data and Business Plan remain aligned.
- approved a new Business Plan, Treasury Strategy and Development Strategy in March 2020 that take account of increased investment in fire safety and include the provision of over 200 new "affordable" homes over the next 6 years.
- Took steps following the performance themed staff conference in March 2019 to embed a performance culture. These have been a success and "quick wins" led to improved (and better than target) rent arrears performance. This culture also supported excellent performance against all compliance KPI's helping to support our top priority of keeping residents safe.
- embraced new technology to deliver greater efficiency and VFM savings, for example through the introduction of a suite of eLearning modules, a new HR "self service" system and the roll out of Office 365.
- procured new contractors for fire servicing equipment, asbestos consultancy, asbestos removal, water management and door entry and CCTV services. This has led to contractors now delivering the quality of service required at a competitive price.
- used the March 2020 staff conference to prepare for the anticipated imminent arrival of a pandemic. This meant that all teams were able to operate remotely by the time that the lockdown was introduced.
- ensured that performance against core KPI's related to Covid-19 linked to income and health and safety have been monitored daily by a Business Continuity Group. This has led to excellent ongoing performance on compliance KPI's and income maximisation during a challenging period for residents.

Whilst performance has improved, it still needs to get better. A key area where improvement needs to be made is in resident satisfaction with the landlord. Improvement plans have been developed and we expect to see better performance achieved as a result.



### **How has the THCH Board had regular and appropriate consideration of potential VFM gains and consideration of VFM across the whole business?**

The Board has ownership of VFM and monitors opportunities and performance in a range of ways including:

- considering reports on sector scorecard and THCH specific metric performance at each Board meeting
- agreeing and then monitoring performance on delivering a VFM element for each Corporate Plan action, and
- considering a report that aligns VFM and Corporate Objectives with THCH specific and sector scorecard metrics twice a year. This new form of reporting was introduced in 2019.

During 2019/20 there was a need for tight control of expenditure due to the ongoing high level of investment in one off health and safety works to THCH's properties. This primarily relates to fire safety work and during 2019/20 over £3.4m was spent on improving the safety of THCH properties. Whilst this will mean that THCH's cost per unit increases above an already high level, the Board and Executive of THCH see resident safety as their top priority and so have decided to continue with this high level of investment. In doing so, however, we have sought good value through the procurement of this additional work and we have also been able to secure £2.4m of grant from the Greater London Authority (GLA) for a re-cladding project.

The THCH Board approves the Business Plan of its subsidiary, THCH New Homes and in doing so ensures that its work will add value to that of the Group. We recognise that delivery good VFM remains work in progress and we continue to ensure that it has the profile and strategic leadership provided by our Executive and Non-Executive VFM Champions to maintain the positive culture and momentum.

### **How has THCH ensured that it has appropriate targets in place for measuring performance in achieving Value for Money in delivering our Strategic Objectives and that this is monitored and reported?**

VFM was embedded in **every** Corporate Objective Action for 2019/20. Board considered draft 2019/20 Corporate Plan actions at their January 2019 meeting and agreed the final actions at their March 2019 meeting. Board received a 6 month update at the September 2019 Board meeting and noted that overall good progress was being made in delivering the actions. Board received the outcome report for the 2019/20 Corporate Action Plan in May 2020 and, as part of this scrutinised the evidence of VFM that had been provided against each action.

Board decided based on performance in delivering the actions that THCH had delivered its Corporate Plan during 2019/20. Board also observed additional achievements in the year not reflected in the Plan included:

- achieving a governance upgrade to the top level from the Regulator of Social Housing of G1
- a comprehensive response had been taken to changed Government guidance and regulations relating to fire safety, and
- significant preparation had taken place to maintain services for THCH residents during the Covid-19 emergency and a smooth transition had taken place to home working for a number of colleagues at the time of the lockdown.

The 2020/21 Corporate Action Plan agreed at the March 2020 Board meeting similarly contains a VFM element for **every** action. Board will receive a 6 month update in delivering this Action Plan in September 2020 and an outcome report in May 2021.

As well as embedding VFM in Corporate Action Plan initiatives and targets, THCH considers both past performance and the performance of our peers in setting appropriate VFM metric targets. These metrics are incorporated into THCH's VFM Strategy and this has been published on THCH's website.

As well as the metrics required by our Regulator, specific metrics of particular relevance to THCH have been set where the Board wants to see performance improve. These THCH metrics cover increasing income from non-core activities, reducing spend on temporary staff and securing planning consents for new homes.

Performance in delivering VFM metrics is provided on THCH's website (as part of the VFM Strategy) and it is reported as part of each Performance Report to Board. This helps to ensure that VFM performance has the necessary profile and priority within THCH and that stakeholders can easily assess THCH's performance.

## TOWER HAMLETS COMMUNITY HOUSING

### How have we performed against our targets for VFM metrics?

The table below shows THCH's performance in delivering its targets for its own VFM metrics and those prescribed by the Regulator of Social Housing.

Theme	Metric	Sector Scorecard National Median	Placeshapers National Median	THCH Actual 2018/19	THCH Target 2019/20	THCH Actual 2019/20	THCH Target 2020/21
THCH Specific Metric	Increase income from non core activities	n/a	n/a	£91k	£40k	£62k	£60k
	Reduce spend on temporary staff	n/a	n/a	£286k	£400k	£167k	£250k
	Necessary steps progressed to commence building new homes	n/a	n/a	n/a	2 planning consents and 1 start on site	n/a	2 planning consents and 1 start on site
<b>Sector Scorecard Metrics</b>							
Business Health (FS)	Operating margin (overall)	25.9%	29.3%	18.0%	16.4%	11.6%	>15%
	Operating margin (social housing lettings)	28.5%	30.1%	16.0%	16%	8.4%	>15%
	EBITDA MRI (as % interest)	191%	194%	129%	>120%	142%	>120%
Development Capacity & Supply Decent & Safe, FS	New supply % (social)	1.2%	1.1%	0	0	0	0
	New supply % (non-social)	0.0%	0.0%	0	0	0	0
	Gearing	38%	42%	35.4%	<32%	28%	<32%
Outcomes Delivered (Value the Residents)	Customer Satisfaction	87%	86%	66%	>84%	62%	>75%
	Reinvestment %	6.2%	6.8%	1.4%	Subject to budget	1.7%	>3%
	Investment in communities	£167k	£292k	£407k	£248k	£371k	>£250k
Effective Asset Management	Return on capital employed (ROCE)	3.4%	4.0%	2.57%	>2.1%	1.6%	>2%
	Occupancy	99.40%	99.50%	99.7%	>99.5%	99.3%	>99.0%
	Ratio of responsive repair to planned maintenance	0.64	0.63	0.83	0.66%	0.64	0.66
Operating Efficiencies	Headline social housing cost per unit	£3,591	£3,385	£6,914	£7,000	£7,723	£7,000
	Rent collected	99.78%	99.86%	101.1%	101.6%	100.3%	101.1%
	Overheads as % of adjusted turnover	11.8%	11.7	19.8%	17.5%	17.6%	<16.0%

The following provides further detail in respect of the performance for each metric:

**Increase income from non core activities;** We exceeded our target and this was achieved by securing additional income from commercial lettings, community centres, sheds and garages. We plan to continue to maximise the return on these non-social housing assets and are hence seeking a further £60k in 2020/21 on top of previous increases.

**Reduce spend on temporary staff;** Interim staff were required to cover senior roles (including the Director of Resources and Head of Finance) that had not been expected to become vacant during the year and this significantly impacted on the full year performance. Despite this a saving of £167k was achieved and a further saving of £250k is planned for 2020/21.

**Necessary steps progressed to commence building new homes;** Work on our Development Strategy was paused in November 2019 to allow the Board to assess the impact of changing Government Guidance and regulations relating to fire safety. A new Development Strategy was approved in March 2020 and work is now progressing to deliver against this Strategy and VFM metric.

**Operating margin (overall);** During 2019/20 THCH invested significant resources in health and safety work linked primarily to fire safety. An element of the £3.4m invested in fire safety in 2019/20 is revenue and this impacts on THCH's operating margin. Excluding these costs the operating margin (overall) would increase from 11.6% to 19.4%. Our investment in one off fire safety projects will continue for the next four years and the safety of THCH's residents remains the top priority for THCH's Board and Executive Team. After this period investment will reduce to the much lower level required to deliver ongoing "business as usual" safety work.

**Operating margin (social housing lettings);** Excluding one off fire safety costs the operating margin (social housing lettings) would increase from 8.4% to 16.6%.

**EBITDA MRI (as % interest);** Costs associated with the additional investment in fire safety have been excluded by our lender from covenant calculations. We have a covenant of 110% and a golden rule not to fall below 120% and our performance comfortably exceeded this.

**New supply % (social) and New supply % (non-social);** A new Development Strategy was approved in March 2020 and this will see over 200 homes being built for "affordable" rent over the next 6 years. The latest Business Plan and Treasury Strategy incorporate this growth in homes. As well as helping to address the very significant local housing need, growing THCH will allow for management costs and overall cost per unit to be reduced as the Executive Team believe that the growth contained in the approved Development Strategy can be achieved without the need to add significantly to the staff team resource.

**Gearing;** Contingency planning linked to Brexit and Covid-19 led to increased levels of liquidity being maintained during the year. However, the level of liquidity linked to risk management has been actively managed and this has helped maintain our low level of gearing. We plan to sweat our assets and recognise that our gearing will increase as we start to build more homes.

**Customer Satisfaction;** We recognise that performance in this area is not good enough. Service improvement plans are in place to help deliver increased satisfaction although Covid-19 has recently delayed some actions being delivered. The Board has decided that low resident satisfaction is a strategic risk and reviews steps being taken to address this as part of the Risk Map at each Board meeting.

**Reinvestment %;** Whilst some planned investment was switched to fire safety work a kitchen and bathroom programme commenced in late 2019 and will continue in 2020 once the lockdown is eased. This and increased activity linked to development, is expected to result in a higher level of reinvestment as a % in 2020/21.

**Investment in communities;** Thousands of residents have benefitted during 2019/20 from services and activities delivered from our 7 community centres and through tenancy support. THCH's direct investment has again been matched many times over by the level of social return on investment, positive impact on health and wellbeing and on community cohesion.

**Return on capital employed (ROCE);** Our drive to make sure our homes remain safe through increased investment in one off projects means that our ROCE is relatively low. This is expected to increase but not until after the one off investment projects are completed over the next four years.

## TOWER HAMLETS COMMUNITY HOUSING

**Occupancy;** Performance remained strong but was 0.2% below target due to properties having to be held as void at the end of March due to the pandemic. A lower target of 99% has been set to reflect the fact that no letting activity was possible from late March until late June 2020 due to the lockdown.

**Ratio of responsive repair to planned maintenance;** Our responsive repairs spend was higher than last year due to a range of factors including a higher number of voids and communal and individual property repairs being completed. However, our target for the year was met due to the high level of proactive investment work to our properties.

**Headline social housing cost per unit;** 90% of our homes are flats and many of these are within buildings over 18 metres. Following Grenfell and in response to changes in Government Guidance in 2019 we continue to invest significant resources into one off fire safety projects. During the year we invested £2,857 per unit in planned, major and capitalised work. Our combined investment in these areas was £2,015 per unit higher than the 2018/19 Placeshaper average. Our cost per unit increased from the previous year by £809, however our investment in planned, major and capitalised work increased by £1,257 during the same period. A third of THCH's homes are leasehold. Costs associated with the management of these homes are incorporated in the headline social housing cost, however, the properties are not included in calculating the per unit cost. We secured £2.4m for our ACM recladding contract and will continue to explore sources of available funding for future projects. We are continuing to drive down costs such as overheads to enable this ongoing significant investment in safety work and so that we can evidence an efficient business.

**Rent collected;** Our rent collected performance continues to be in the top quartile of our peers and we are aiming to continue this trend. We are closely monitoring and managing the impact of Covid-19 on collection rates and we see this as needing to be a focus throughout the year ahead.

**Overheads as % of adjusted turnover;** Our overheads have reduced both as a percentage of adjusted turnover and in real terms. During the year our overheads reduced by £481k compared to 2018/19. We will continue the downward trend in the year ahead.

# TOWER HAMLETS COMMUNITY HOUSING

## BOARD REPORT AND STRATEGIC REPORT (continued)

### Financial Review

The group's financial performance over the past five years is summarised below:

	2020	2019	2018	2017	2016
	£'000	£'000	£'000	£'000	£'000
<b>Statement of comprehensive income</b>					
Social housing lettings	17,019	17,397	17,143	17,138	16,693
Non social housing activities	687	637	575	549	480
Housing property sales	-	28	610	8,911	4,647
Amortisation of Grant	60	60	60	60	60
<b>Total turnover</b>	<b>17,766</b>	<b>18,122</b>	<b>18,388</b>	<b>26,658</b>	<b>21,880</b>
Operating costs - social housing lettings*	(14,982)	(14,073)	(13,718)	(13,929)	(12,719)
Operating costs - non social housing activities	(722)	(786)	(932)	(425)	(138)
Cost of sales	-	33	(361)	(6,065)	(4,657)
<b>Total operating costs</b>	<b>(15,704)</b>	<b>(14,826)</b>	<b>(15,011)</b>	<b>(20,419)</b>	<b>(17,514)</b>
<b>Operating surplus</b>	<b>2,062</b>	<b>3,296</b>	<b>3,377</b>	<b>6,239</b>	<b>4,366</b>
Gain/(loss) on disposal of property, plant & equipment	629	926	822	1,334	2,616
Net interest payable	(3,007)	(3,235)	(3,305)	(3,238)	(2,973)
Taxation	1	(6)	-	3	-
Impairment charge	0	(3,800)	-	-	-
Actuarial (loss)/gain in respect of pension schemes	2,190	(760)	294	406	816
Revaluation (loss)/gain on investment properties	-	-	-	2,031	-
<b>Surplus/(deficit) transferred to reserves</b>	<b>1,875</b>	<b>(3,579)</b>	<b>1,188</b>	<b>6,775</b>	<b>4,825</b>
<b>Statement of financial position</b>					
Housing properties - cost less depreciation	152,446	150,060	152,507	154,245	153,591
Investment properties	8,245	7,142	7,142	7,135	4,420
Other property plant and equipment	4,009	4,138	4,405	4,459	4,728
Fixed assets	164,700	161,340	164,054	165,839	162,739
Net current assets/(liabilities)	546	818	10,285	8,762	8,077
<b>Total assets less current liabilities</b>	<b>165,246</b>	<b>162,158</b>	<b>174,339</b>	<b>174,601</b>	<b>170,816</b>
Loans	49,732	48,679	56,624	56,614	59,065
Disposals proceeds fund	-	-	494	1,284	2,204
Recycled capital grant fund	273	652	802	933	732
Grants	8,338	6,454	6,540	6,552	5,539
Section 106 Disposal Proceeds	43	11	2	-	-
Pension scheme liability	788	3,062	2,088	2,461	2,912
<b>Total liabilities</b>	<b>59,174</b>	<b>58,858</b>	<b>66,550</b>	<b>67,844</b>	<b>70,452</b>
<b>Total net assets</b>	<b>106,072</b>	<b>103,300</b>	<b>107,789</b>	<b>106,757</b>	<b>100,364</b>
<b>Reserves</b>	<b>106,072</b>	<b>103,300</b>	<b>107,789</b>	<b>106,757</b>	<b>100,364</b>
Social housing properties owned (no)	2,066	2,070	2,072	2,077	2,078
Surplus/(deficit) as % of turnover	10.55%	-19.75%	6.46%	25.40%	22.05%
Operating Surplus/(deficit) as % of turnover	11.61%	18.19%	18.37%	23.41%	23.40%
Rent losses (voids as % of turnover)	0.51%	0.24%	0.18%	0.15%	0.18%
Rent arrears (arrears as % of turnover)	1.52%	2.70%	3.79%	4.05%	4.94%
Gearing (loans as % of grant and reserves)	47.27%	44.35%	49.53%	49.96%	55.77%
Reserves per social housing properties owned	50,902	49,903	52,022	51,400	48,298
Debt per social housing properties owned	24,072	23,516	27,328	27,258	28,424
<b>Fire safety related costs</b>					
Capital	2,124	721	1,064		
Revenue	1,248	706	916		
<b>Total Fire safety related costs</b>	<b>3,372</b>	<b>1,427</b>	<b>1,980</b>		

## TOWER HAMLETS COMMUNITY HOUSING

### BOARD REPORT AND STRATEGIC REPORT (continued)

#### Overview

The results for the year ended 31 March 2020 reports a consolidated operating surplus of £2.1m (2018/19: £3.3m) and an operating surplus as percentage of turnover of 11.6% (2018/19: 18.2%). This shows a fall from last year's performance, largely as a result of increased spend on fire safety works (£1.9m) and fewer property sales.

#### Turnover

The turnover for the year of £17.8m (£18.1m 2018/19) shows a reduction from last year's figure, mainly due to less housing property sales (2019/20: £0.6m; 2018/19: £0.9m) and the 1% rent reduction.

#### Capital Investment

The underlying value of housing assets increased by 1.6% to £152.4m (£150.1m 2018/19) as a result of component replacements.

#### Cash Flow and loan finance

The cash flow movements in the year are shown in the statement of Cash Flows. Cash balances decreased by £0.4m at the end of the year, due increased spends on fire safety costs. This was partly funded by loans resulting in an increase from £49m to £50m. The current loan funding is provided by a £89m loan facility from Santander UK plc.

#### Accounting Policies

The association's accounting policies are set out on pages 25 to 31 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include capitalisation of costs, the treatment of housing grant and depreciation.

The application of accounting principles requires the use of estimates, assumptions and judgements that may affect reported results, assets and liabilities. As THCH owns most of the properties that it manages, its accounting policies on depreciation are critical to both the level of reported results and carrying value of housing properties in the Statement of Financial Position.

As stated under Note 1 to the accounts, housing properties are stated at 'deemed' cost, which is cost as at 1<sup>st</sup> April 2014 adjusted for inflation less depreciation and less provision for any impairment in value. Freehold housing properties are depreciated on a straight line basis over 100 years. Freehold land is not depreciated. Housing properties in the course of construction are stated at cost less provision for any diminution in value.

### CORPORATE RESPONSIBILITY

THCH has a strong tradition of corporate responsibility. From its inception, THCH has had a commitment to quality of service with particular emphasis on the provision of a local service to residents. Through a schedule of regular meetings at all levels including Board, residents and staff, THCH is able to manage its operations responsibly, identify risks, and ensure that it has the ability to carry out the work required to meet its objectives.

#### Employees

THCH employed 69 (2019: 70) staff during the year (FTE's) and has a stable workforce. THCH has well-established and effective communication arrangements for any significant issues affecting its employees. This includes monthly staff briefings, electronic mail and staff consultations on any major issues including through the staff consultative group, "Our Voice". Where necessary, consultation with staff and their union representatives also takes place. Equally, Health and Safety issues are dealt with in a structured way, with professional advice and support being sought wherever in-house resources are limited.

## TOWER HAMLETS COMMUNITY HOUSING

### BOARD REPORT AND STRATEGIC REPORT (continued)

#### **Pensions**

THCH operates two defined benefit schemes. One scheme is the LBTH's pension scheme which is for transfer staff and is closed to new employees. The other is the Social Housing Pension Scheme which is administered by TPT Retirement Solutions. More details about the schemes are given under Note 22 and 29 to the accounts.

#### **The Board**

THCH's Board consists of up to 12 members. On the 31 March 2020 there were twelve board members on the Board with a nine year limit for individual member tenure. There may be up to 2 resident members, 8 independent members and 2 members nominated by the London Borough of Tower Hamlets.

The Board is non-executive in its function and is responsible for the overall direction of THCH. The members of the Board are listed on page 2 of the financial statements. Operational responsibility for THCH is delegated to the Executive Team that reports to the Board. The Board meets a minimum of four times a year and is attended by the Executive Team.

The Board has a number of committees, which operate within defined terms of reference as follows:

#### *Audit and Risk Committee*

This committee meets a minimum of four times a year and deals with internal and external audit issues and provides a means of detailed review of risk and of internal control activities.

#### *Operations Committee*

This committee meets a minimum of four times a year and reviews management performance against key indicators and the review of existing policies and the establishment of new policies.

#### *Nominations and Remuneration Committee*

This committee meets on an ad hoc basis to consider Board and senior executive pay and is responsible for all appointments to the Board and its committees including the appointment of Chair of the Board.

#### **Related party disclosures**

Two Board members appointed in 2019/20 are tenants of THCH. Tenancies are on normal commercial terms and the directors cannot use their position to their advantage.

#### **Compliance with the Governance and Viability Standard**

Prior to March 2020 THCH had a governance rating of G2. In March 2020 the Regulator of Social Housing upgraded THCH governance rating from G2 to G1.

#### **Compliance with the National Housing Federation's Code of Governance**

The Board complies with the principles set out in the National Housing Federation's Code of Governance published in 2015.

#### **Brexit**

The Board are aware of potential risk from the United Kingdom's exit from the European Union but feel that this will be minimal as the Association/Group trades almost exclusively with UK based customers and suppliers. We will operate a close watch on the external environment when Brexit is completed to act on any potential threats and to seek new opportunities that may arise.

### BOARD REPORT AND STRATEGIC REPORT (continued)

#### Internal control and risk management

The Board has overall responsibility for the system of internal control and risk management across THCH and for reviewing its effectiveness. The Board also take steps to ensure THCH adheres to the regulators Governance and Financial Viability standard and its associated code of practice, including that THCH adheres to all relevant law. The Audit and Risk Committee is responsible to the Board for monitoring these arrangements and reporting on their effectiveness.

#### Review of internal controls

The internal control framework is designed to manage and reduce, rather than eliminate, the risk of failing to achieve business objectives. It can only provide the Board with reasonable, and not absolute, assurance against material misstatement or loss.

The key features of the THCH's system of internal control include:

- An established management structure operating across THCH, with clearly defined levels of responsibility and delegated authorities.
- A group-wide risk management assessment (including health and safety) – the Board has established a process for identifying, evaluating, and managing the significant risks faced by THCH,
- Adopting and complying with the principal recommendations of the National Housing Federation's 2015 Code of Governance and accepting this as THCH's code of good practice,
- Audit and Risk Committee assurance – the Audit and Risk Committee meets regularly with members of the Executive Team and the internal and external auditors to review specific reporting and internal control matters, and to satisfy themselves that the internal control systems are operating effectively. The Audit and Risk Committee also reviews any follow up action to correct identified weaknesses. All Board members have access to the minutes of all Audit and Risk Committee meetings,
- Internal audit assurance – THCH's internal audit function was outsourced to Crowe Clark Whitehill (CCW), which has a direct reporting line to the Audit and Risk Committee. As from 1 June 2020 RSM has been THCH's new internal auditors. The internal audit programme is designed to review key areas of risk and adherence to relevant law. CCW have completed an annual review of our internal controls and have given "Reasonable" assurance.
- External audit assurance – the work of the external auditor provides some further independent assurance of the internal control environment, as described in their audit report. THCH also receives a letter from the external auditor identifying any internal control weaknesses. In accordance with best practice guidance, the Audit and Risk Committee and the Board consider this letter,
- The preparation and monitoring of budgets and long-term business plans – the Board and the Management Team review performance throughout the year. The reports ensure variances are investigated and acted upon.
- A process for approving all investment decisions is provided in our Investment Strategy, which was approved by Board in May 2019. Investment decisions are subject to appraisals to ensure our charitable interests are being met.
- All development decisions are subject to appraisal and approval by the Executive Team, Development Committee and, where appropriate, the Board. The updated Development Strategy was approved by the Board at the March 2020 meeting and again at its May 2020 meeting.
- Treasury activity and strategy are subject to regular Board review. Part of this review may involve the advice of independent treasury advisors.
- Whistleblowing – THCH's Whistleblowing policy enables employees to raise issues on a confidential basis. Procedures exist to ensure any whistleblowing incidents are independently investigated.
- The Board confirms it has an approved fraud policy that is available to all staff. The policy covers the prevention, detection and reporting of fraud. Details of identified frauds are maintained in the fraud register, which is reviewed annually by the Audit and Risk Committee on behalf of the Board and reported to our Regulator.
- The Board has reviewed the effectiveness of the systems of internal control, including risk management, for the year to 31 March 2020, and up to the date of signing these financial statements. It has not identified any weaknesses sufficient to cause material misstatement or loss, which require disclosure in the financial statements.



**BOARD REPORT AND STRATEGIC REPORT (continued)**

**Statement of responsibilities of the Board for the board report and financial statements**

The Board is responsible for preparing the board report and financial statements in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law and registered social housing legislation require the Board to prepare financial statements for each financial period which give a true and fair view of the state of affairs of THCH and of the surplus or deficit of THCH for that period.

In preparing the financial statements the Board is required to:

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of THCH and its assets and liabilities and to enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Society Act 2014, Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2015. It has general responsibility for taking reasonable steps to safeguard the assets of THCH and to prevent and detect fraud and other irregularities.

The Board is responsible for ensuring that the board report is prepared in accordance with the SORP.

**Disclosure of information to the auditor**

We, the board members who held office at the date of approval of these financial statements as set out above each confirm, so far as we are aware, that:

- There is no relevant audit information of which the company's auditor is unaware; and
- We have taken all steps that we ought to have taken as directors to make ourselves aware of any relevant audit information and to establish that the auditor is aware of that information.

**POST YEAR-END EVENTS**

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

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

**GOING CONCERN**

The Board has a reasonable expectation that THCH has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

**ANNUAL GENERAL MEETING**

The Annual General Meeting will be held on 24th September 2020 at 285 Commercial Road, London E1 2PS.

**Approved by the Board of Management and signed on behalf of the Board**



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Nick Abbey.  
Chair  
23 July 2020

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOWER HAMLETS COMMUNITY HOUSING**

### **Opinion**

We have audited the financial statements of Tower Hamlets Community Housing (the 'parent association') and its subsidiary (the 'group') for the year ended 31 March 2020 which comprise the Group and the parent association's Statements of Comprehensive Income, the group and the parent association's Statements of Financial Position, the Group's Statement of Changes in Reserves, the group 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent associations' affairs as at 31 March 2020 and of the group's and the parent association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Society Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOWER HAMLETS COMMUNITY HOUSING**

**(cont)**

### **Other information**

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

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

We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

In light of the knowledge and understanding of the group and the parent association and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Board Report.

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

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

### **Responsibilities of the Board**

As explained more fully in the Statement of the Board's responsibilities set out on page 17, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **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 website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOWER HAMLETS COMMUNITY HOUSING**

**(cont)**

### **Use of the audit report**

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

Mazars LLP

Mazars LLP  
Chartered Accountants and Statutory Auditor  
6 Sutton Plaza, Sutton Court Road, Sutton, Surrey SM1 4FS

Date: 14 September 2020

**TOWER HAMLETS COMMUNITY HOUSING**

**STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 March 2020**

	Notes	GROUP		ASSOCIATION	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Turnover</b>					
Excluding housing property sales		17,766	18,094	17,766	18,093
Housing property sales		-	28	-	-
Total turnover	3a	17,766	18,122	17,766	18,093
Cost of sales	3a	-	33	-	-
Operating expenditure	3a	(15,704)	(14,859)	(15,700)	(14,837)
Operating surplus		2,062	3,296	2,066	3,256
Surplus on disposal of property, plant and equipment	9	629	926	629	926
Interest receivable	7	27	30	26	29
Gift aid	10	-	-	31	911
Interest and financing costs	8	(3,034)	(3,265)	(3,034)	(3,265)
(Deficit)/Surplus before tax		(316)	987	(282)	1,857
Taxation	11	1	(6)	-	-
<b>(Deficit)/Surplus for the year</b>		(315)	981	(282)	1,857
Actuarial gain/(loss) in respect of pension schemes	29	2,190	(760)	2,190	(760)
Impairment charge		-	(3,800)	-	(3,800)
<b>Total comprehensive income for the year</b>		<b>1,875</b>	<b>(3,579)</b>	<b>1,908</b>	<b>(2,703)</b>

All amounts relate to continuing activities.

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



N Abbey  
(Chair)



Philip Sullivan  
(Chief Executive)



Faisal Butt  
(Vice Chair)

**TOWER HAMLETS COMMUNITY HOUSING**

**STATEMENT OF FINANCIAL POSITION as at 31 March 2020**

	Notes	GROUP		ASSOCIATION	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>FIXED ASSETS</b>					
Tangible fixed assets - housing properties	12	152,446	150,060	152,446	150,060
Intangible fixed assets	13	202	159	202	159
Other property, plant and equipment	14	3,807	3,979	3,807	3,979
Investment properties	16	8,245	7,142	8,928	7,825
Investment	17	-	-	11	11
		<u>164,700</u>	<u>161,340</u>	<u>165,394</u>	<u>162,034</u>
<b>CURRENT ASSETS</b>					
Inventories	19	8	12	-	-
Trade and other debtors	20	3,449	2,408	3,453	2,408
Cash and cash equivalents		5,675	6,100	5,368	5,757
		<u>9,132</u>	<u>8,520</u>	<u>8,821</u>	<u>8,165</u>
<b>CREDITORS: amounts falling due within one year</b>	21	<u>(8,586)</u>	<u>(7,702)</u>	<u>(8,289)</u>	<u>(7,400)</u>
<b>NET CURRENT ASSETS</b>		<u>546</u>	<u>818</u>	<u>532</u>	<u>765</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>165,246</u>	<u>162,158</u>	<u>165,926</u>	<u>162,798</u>
<b>CREDITORS: amounts falling due after more than one year</b>	22	<u>(58,386)</u>	<u>(55,796)</u>	<u>(58,386)</u>	<u>(55,796)</u>
Pension scheme liability	29	<u>(788)</u>	<u>(3,062)</u>	<u>(788)</u>	<u>(3,062)</u>
		<u>(59,174)</u>	<u>(58,858)</u>	<u>(59,174)</u>	<u>(58,858)</u>
<b>TOTAL NET ASSETS</b>		<u><b>106,072</b></u>	<u><b>103,300</b></u>	<u><b>106,752</b></u>	<u><b>103,941</b></u>
<b>CAPITAL AND RESERVES</b>					
Non-equity share capital	26	-	-	-	-
Restricted reserves – Mitali fund		31	67	31	67
Income and expenditure reserve		87,554	86,293	88,234	86,934
Revaluation reserve		18,487	16,940	18,487	16,940
<b>TOTAL CAPITAL AND RESERVES</b>		<u><b>106,072</b></u>	<u><b>103,300</b></u>	<u><b>106,752</b></u>	<u><b>103,941</b></u>

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



N Abbey  
(Chair)



Philip Sullivan  
(Chief Executive)



Faisal Butt  
(Vice Chair)

**TOWER HAMLETS COMMUNITY HOUSING**

**CONSOLIDATED STATEMENT OF CHANGES IN RESERVES for the year ended 31 March 2020**

<b>Group</b>	<b>Revenue Reserve £'000</b>	<b>Revaluation Reserve £'000</b>	<b>Restricted Reserves £'000</b>	<b>2020 Total £'000</b>	<b>2019 Total £'000</b>
<b>Balance as at 1 April 2019</b>	<b>86,293</b>	<b>16,940</b>	<b>67</b>	<b>103,300</b>	<b>107,789</b>
Surplus/(deficit) from statement of comprehensive income	1,875			1,875	(3,579)
Movement in restricted fund	-			-	(25)
Unrealised surplus/(deficit) on revaluation of housing properties	(11)	908		897	(885)
Transfer from revaluation reserve to revenue reserve	(639)	639		-	-
Transfer of restricted expenditure from unrestricted reserve	36		(36)	-	-
<b>Balance at 31 March 2020</b>	<b>87,554</b>	<b>18,487</b>	<b>31</b>	<b>106,072</b>	<b>103,300</b>

<b>Association</b>	<b>Revenue Reserve £'000</b>	<b>Revaluation Reserve £'000</b>	<b>Restricted Reserves £'000</b>	<b>2020 Total £'000</b>	<b>2019 Total £'000</b>
<b>Balance as at 1 April 2019</b>	<b>86,934</b>	<b>16,940</b>	<b>67</b>	<b>103,941</b>	<b>107,554</b>
Surplus/(deficit) from statement of comprehensive income	1,908			1,908	(2,703)
Movement in restricted fund				-	(25)
Unrealised surplus/(deficit) on revaluation of housing properties	(11)	908		897	(885)
Transfer from revaluation reserve to revenue reserve	(639)	639		-	-
Transfer of restricted expenditure from unrestricted reserve	36		(36)	-	-
<b>Balance at 31 March 2020</b>	<b>88,228</b>	<b>18,487</b>	<b>31</b>	<b>106,752</b>	<b>103,941</b>

**TOWER HAMLETS COMMUNITY HOUSING**

**CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 March 2020**

	Notes	2020 £'000	2019 £'000
<b>Net cash generated from operating activities</b>	1	1,506	2,632
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets		(1,422)	(366)
Proceeds from the sale of tangible fixed assets		1,444	1,149
Grants received		-	-
Interest received		27	30
		<u>49</u>	<u>813</u>
<b>Cash flow from financing activities</b>			
Interest paid		(3,034)	(3,265)
New secured loans		1,054	2,000
Repayments of borrowings		-	(9,945)
		<u>(1,980)</u>	<u>(11,210)</u>
<b>Net change in cash and cash equivalents</b>		(425)	(7,765)
Cash and cash equivalents at beginning of year		6,100	13,865
<b>Cash and cash equivalents at end of the year</b>		<u><b>5,675</b></u>	<u><b>6,100</b></u>

**Note 1**

**Cash flow from operating activities**

<b>Surplus /(Deficit) for the year</b>	1,875	(3,604)
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	2,673	2,447
Decrease/(increase) in stock	4	2
Decrease/(increase) in trade and other debtors	1,993	(785)
Increase in trade and other creditors	(616)	(647)
Pension costs less contributions payable	(2,274)	974
Carrying amount of tangible fixed asset disposals	(3,712)	(1,641)
Impairment	-	3,800
Proceeds from the sale of tangible fixed assets	(1,444)	(1,149)
Interest payable	3,034	3,265
Interest received	(27)	(30)
	<u>1,506</u>	<u>2,632</u>
Cash generated from operating activities	1,506	2,632



## TOWER HAMLETS COMMUNITY HOUSING

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2020

#### 1 Accounting policies

The following accounting policies are applied consistently in dealing with items which are considered to be material in relation to the accounts of the Group.

##### **Basis of preparation**

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2015. Tower Hamlets Community Housing (THCH) is a public benefit entity, as defined in FRS102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

##### **Basis of consolidation**

THCH is required to prepare group accounts. The group accounts comprise those of the Association together with its subsidiary (THCH New Homes Limited). The group financial statements have been prepared by consolidating the result of the entities which comprise the Group up to 31 March 2020.

##### **Going concern**

The Board have reviewed the Group's forecasts and projections, and assessed the evolving impact of Covid-19, the global pandemic which became significant in March 2020. The Board have a reasonable expectation the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

##### **Tangible fixed assets - housing properties**

Housing properties are stated at deemed cost for assets held at 31 March 2014, the date of transition to FRS 102, less accumulated depreciation and any accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and borrowing costs directly attributable to the construction of new housing properties during the development up to the date of practical completion.

Depreciation is charged on a straight line basis, over their useful economic lives. Freehold land is not depreciated.

##### Major components

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

Structure	100 years
Flat roofs	25 years
Pitched roofs	70 years
Windows & Doors	30 years
Kitchens	20 years
Bathrooms	30 years
Heating systems, Ventilation & Pumps	30 years
Lifts	20 years
Boilers	15 years
Electrical	40 years

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.

Shared ownership properties developed for sale and freehold land are not depreciated. Housing properties in the course of construction are stated at cost less provision for any diminution in value.

##### Improvements

Improvements that are expected to provide incremental future benefits to housing properties are capitalised and added to the carrying amount of the property. Works to housing properties which do not replace a component or result in an incremental future benefit are charged as expenditure in the Statement of Comprehensive Income.

## TOWER HAMLETS COMMUNITY HOUSING

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2020

#### 1 Accounting policies (continued)

##### Leaseholders

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

##### **Impairment of social housing properties**

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

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

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply.

##### **Intangible assets and other tangible fixed assets**

Other property, plant and equipment are included at historic cost less depreciation and provision for impairment. Depreciation is provided on a straight line basis over the useful life shown below:

Computer software	4 years
Computer equipment	4 years
Office furniture and equipment	4 years
Motor vehicles	4 years
Office buildings	50 years
Community centres	50 years

##### **Investment Properties**

Investment properties are stated at market value and were last valued by independent surveyors in September 2019.

Changes in valuation are recognised in the Statement of Comprehensive Income.

##### **Social Housing Grant and other Government grants**

###### Government grants

Government grants are accounted for under the accruals model with grants relating to expenditure on tangible fixed assets being credited to the Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grant is included in creditors as deferred income. Grants received in relation to assets that are presented at deemed cost at the date of transition have been accounted for using the performance model as required by FRS102. In applying this model, such grant has been presented as if it were originally recognised as income within the Statement of Comprehensive Income in the year it was receivable and is therefore included within brought forward reserves.

Government grants are defined as grants received from government agencies such as the Homes (England), local authorities, devolved government agencies, health authorities and the European Commission.

## TOWER HAMLETS COMMUNITY HOUSING

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2020

#### 1 Accounting policies (continued)

##### Non-government grants

Grants received from non-government sources are recognised using the performance model. Under the performance model, grants relating to expenditure on tangible fixed assets are credited to the Statement of Comprehensive Income when the future performance condition has been satisfied. Grants received before the future performance condition has been satisfied are recognised as a liability in the Statement of Financial Position. Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

##### Recycling of grants

On disposal of an asset for which government grant was received, if there is an obligation to repay or recycle, the grant is recognised as a liability in the Statement of Financial Position. If there is no obligation to repay or recycle the grant is recognised as income in the Statement of Comprehensive Income.

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

##### Finance costs

Finance costs on a mortgage loan financing a development are capitalised up to the date of practical completion of the scheme. Finance costs are allocated to periods over the term of the debt at a constant rate on the carrying amount.

##### Right to buy properties

The gain or loss on disposal of right to buy housing properties is recognised in the Statement of Comprehensive Income at the date of completion.

##### Right to acquire properties

THCH is required to credit a Recycled Grant Fund with the net proceeds of Right to Acquire property sales. Net proceeds comprise the sales proceeds and grant towards the discount, less permitted deductions. The purpose of the fund is to provide replacement properties for rent, at no greater cost than properties provided through the approved development programme. If unused within a three year period it may be repayable to the GLA with interest. Unused proceeds held within the Recycled Grant Fund are disclosed in the Statement of Financial Position within creditors.

##### Shared ownership properties

Properties developed for shared ownership sale are split between the proportion expected to be sold which is shown as a current asset and the remainder, together with any applicable grant, included in fixed assets. Proceeds from first tranche sales are included within turnover and the related portion of the cost of the asset recognised as operating costs.

Subsequent tranches are dealt with in the same way as other property sales, and shown as a separate item after operating surplus in the Statement of Comprehensive Income.

##### Investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment.

##### Cyclical maintenance and internal decorations

The costs of repairs, cyclical maintenance and internal decorations are recognised when work is performed.

##### Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are recognised as expense in the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

## TOWER HAMLETS COMMUNITY HOUSING

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020 (Continued)

#### 1 Accounting policies (Continued)

##### **VAT**

Since a large proportion of THCH's income, including its rents, is exempt for VAT purposes whilst the majority of its expenditure is subject to VAT that cannot be reclaimed, expenditure is shown inclusive of irrecoverable VAT. VAT recovered is included within other income.

##### **Capitalisation of interest and development overheads**

Interest on loans financing development is capitalised using the weighted average cost of capital when the development is in progress and ceases at the date of practical completion. Development overheads are capitalised to the extent that they are directly attributable to bringing the properties into their intended use and are incremental as a result of the specific scheme.

##### **Turnover**

Turnover comprises rental income (net of losses from voids), revenue grants and income from services charges. All income is recognised on a receivable basis. It also includes sales proceeds from first tranche shared ownership sales.

##### **Agencies**

The transactions incurred directly by agencies managing THCH's properties are not consolidated in the financial statements.

##### **Cash and cash equivalents**

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

##### **Restricted Reserves (Mitali Fund)**

The restricted reserves relate to the acquisition of 54 homes from Mitali Housing Association. The funds can only be paid to or on behalf of THCH residents.

##### **Revaluation Reserves**

The difference between historical cost depreciation and depreciation charged on the deemed cost balance is transferred from the revaluation reserve to the revenue reserves annually.

##### **Financial instruments**

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

##### Financial assets carried at amortised cost

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

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

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

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

## TOWER HAMLETS COMMUNITY HOUSING

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020 (Continued)

#### 1 Accounting policies (Continued)

##### Financial liabilities carried at amortised cost

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

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

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

##### **Long term contracts**

Turnover from long-term contracts represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only partially been completed at the Statement of Financial Position date, turnover is calculated by reference to the value of work performed to date plus the applicable margin as defined in the contract.

Surpluses are recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the Statement of Comprehensive Income, turnover and related costs as contract activity progresses.

##### **Stocks and work in progress**

Costs incurred in respect of the development of properties are accrued and carried forward as work in progress at the lower of cost and net realisable value. Work in progress includes the appropriate element of capitalised interest, financing costs and development overheads.

##### **Taxation**

THCH has charitable status and is therefore not subject to Corporation Tax on surpluses derived from charitable activities. Surpluses on non-charitable activities are taxable at UK tax rates. THCH New Homes Limited is not a charitable company and its activities are liable to Corporation Tax.

##### **Gift aid payments**

Gift aid payments are charged as distributions of reserves in accordance with the guidance included in the Institute of Chartered Accountants technical release 'Guidance on donations by a company to its parent charity'.

##### **Pension costs**

###### Defined Benefit Schemes:

THCH operates two defined benefit contributory pension schemes. One is administered independently by London Borough of Tower Hamlets and the other by The Pensions Trust.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each Statement of Financial Position date.

###### Local Government Pension scheme (LGPS)

The Group participates in a Social Housing Pension scheme which is a multi-employer schemes where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme. For this scheme the amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

## TOWER HAMLETS COMMUNITY HOUSING

### Defined contribution scheme

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

### Social Housing Pension scheme (SHPS)

The Group participates in the SHPS scheme, a multi-employer defined benefit scheme in the UK. In previous periods, it was not possible for the Group to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it was accounted for as a defined contribution scheme.

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

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

### Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the year end and is carried forward to future periods.

### Cash and cash equivalents

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

## **2. Significant management judgements and key sources of estimation uncertainty**

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

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

### **Significant management judgements**

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

#### Impairment of social housing properties

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

#### Capitalisation of property development costs

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

## TOWER HAMLETS COMMUNITY HOUSING

### 2 Accounting policies (continued)

#### Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

#### Provisions

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

#### Defined benefit pension scheme

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. The Group uses information provided by the pension providers actuaries to determine the net pension obligation in the statement of financial position.

#### Components of housing properties and useful lives

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

**TOWER HAMLETS COMMUNITY HOUSING**

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020 (Continued)**

**3a. Turnover, operating surplus, and surplus before taxation by class of business**

GROUP	2020	2020	2020	2019	2019	2019
	Turnover £'000	Costs £'000	Operating surplus £'000	Turnover £'000	Costs £'000	Operating surplus £'000
<b>Social Housing Lettings (Note 3b)</b>	17,079	(14,982)	2,097	17,456	(14,073)	3,383
Development activity	-	(157)	(157)	-	(183)	(183)
Community Development	26	(371)	(345)	28	(408)	(380)
	<u>17,105</u>	<u>(15,510)</u>	<u>1,595</u>	<u>17,484</u>	<u>(14,664)</u>	<u>2,820</u>
<b>Non Social Housing Activities</b>						
Restructure costs	-	-	-	-	-	-
Commercial rent	661	(194)	467	610	(195)	415
Revenue grant	-	-	-	-	-	-
	<u>17,766</u>	<u>(15,704)</u>	<u>2,062</u>	<u>18,094</u>	<u>(14,859)</u>	<u>3,235</u>
1 <sup>st</sup> tranche sales	-	-	-	-	-	-
Long term contracts	-	-	-	-	-	-
Housing property sales	-	-	-	28	33	61
	<u>-</u>	<u>-</u>	<u>-</u>	<u>28</u>	<u>33</u>	<u>61</u>
	<b>17,766</b>	<b>(15,704)</b>	<b>2,062</b>	<b>18,122</b>	<b>(14,826)</b>	<b>3,296</b>
ASSOCIATION	2020	2020	2020	2019	2019	2019
	Turnover £'000	Costs £'000	Operating surplus £'000	Turnover £'000	Costs £'000	Operating surplus £'000
<b>Social Housing Lettings (Note 3b)</b>	17,079	(14,978)	2,101	17,455	(14,051)	3,404
Development activity	-	(157)	(157)	-	(183)	(183)
Community Development	26	(371)	(345)	28	(408)	(380)
	<u>17,105</u>	<u>(15,506)</u>	<u>1,599</u>	<u>17,483</u>	<u>(14,642)</u>	<u>2,841</u>
<b>Non Social Housing Activities</b>						
Restructure costs	-	-	-	-	-	-
Commercial rent	661	(194)	467	610	(195)	415
Revenue grant	-	-	-	-	-	-
	<u>17,766</u>	<u>(15,700)</u>	<u>2,066</u>	<u>18,093</u>	<u>(14,837)</u>	<u>3,256</u>
1 <sup>st</sup> tranche sales	-	-	-	-	-	-
Long term contracts	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>17,766</b>	<b>(15,700)</b>	<b>2,066</b>	<b>18,093</b>	<b>(14,837)</b>	<b>3,256</b>



**TOWER HAMLETS COMMUNITY HOUSING**

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020 (Continued)**

**3b. Income and expenditure from lettings**

<b>GROUP</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income from lettings</b>	General Needs	Shared Ownership	Total	Total
Rent receivable net of void loss	12,465	378	12,843	12,964
Non-residential rent receivable	204	-	204	217
Service charges receivable	2,971	76	3,047	3,298
Rents receivable	15,640	454	16,094	16,479
Grants amortised	60	-	60	60
Other housing income	925	-	925	917
Turnover from social housing lettings	16,625	454	17,079	17,456
<b>Expenditure on letting activities</b>				
Management	(2,498)	(76)	(2,574)	(3,017)
Services	(2,365)	(72)	(2,437)	(3,075)
Routine maintenance*	(3,660)	-	(3,660)	(3,223)
Programmed repairs*	(3,562)	-	(3,562)	(2,697)
Rent losses from bad debts	(298)	-	(298)	80
Depreciation of housing properties	(2,379)	(72)	(2,451)	(2,141)
Scheme costs written off	-	-	-	-
Total expenditure on lettings	(14,762)	(220)	(14,982)	(14,073)
<b>Operating surplus on social housing lettings</b>	<b>1,863</b>	<b>234</b>	<b>2,097</b>	<b>3,383</b>
Rent losses from voids	90	-	90	44

\*A total of £3,372k was spent on fire safety related works during 2019/20; £1,248k – revenue expenditure and £2,124k – Capital expenditure.

**TOWER HAMLETS COMMUNITY HOUSING**

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020 (Continued)**

**3b. Income and expenditure from lettings (continued)**

<b>ASSOCIATION</b>	<b>2020 £'000 General Needs</b>	<b>2020 £'000 Shared Ownership</b>	<b>2020 £'000 Total</b>	<b>2019 £'000 Total</b>
<b>Income from lettings</b>				
Rent receivable net of void loss	12,465	378	12,843	12,964
Non-residential rent receivable	204	-	204	216
Service charges receivable	2,971	76	3,047	3,298
Rents receivable	15,640	454	16,094	16,479
Grants amortised	60	-	60	60
Other housing income	925	-	925	917
Turnover from social housing lettings	16,625	454	17,079	17,455
<b>Expenditure on letting activities</b>				
Management	(2,494)	(76)	(2,570)	(2,994)
Services	(2,365)	(72)	(2,437)	(3,076)
Routine maintenance	(3,660)	-	(3,660)	(3,223)
Programmed repairs	(3,562)	-	(3,562)	(2,697)
Rent losses from bad debts	(298)	-	(298)	80
Depreciation of housing properties	(2,379)	(72)	(2,451)	(2,141)
Scheme costs written off	-	-	-	-
Total expenditure on lettings	(14,758)	(220)	(14,978)	(14,051)
<b>Operating surplus on social housing lettings</b>	<b>1,867</b>	<b>234</b>	<b>2,101</b>	<b>3,404</b>
Rent losses from voids	90	-	90	44

## TOWER HAMLETS COMMUNITY HOUSING

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020 (Continued)

#### 4. Directors' emoluments

The emoluments of the Chief Executive and Executive Team were:

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Gross salary	380	351	380	351
Employer's pension contributions	17	11	17	11
Compensation for loss of office	-	-	-	-
	<u>397</u>	<u>362</u>	<u>397</u>	<u>362</u>

#### Board members

Emoluments due to THCH Board members in the year to 31 March 2020 were:

Board and Committee Members incl Nick Abbey (Chair)	75	51	75	51
	<u>75</u>	<u>51</u>	<u>75</u>	<u>51</u>

The total expenses reimbursed to the Board not chargeable to United Kingdom income tax was:

	<u>3</u>	<u>7</u>	<u>3</u>	<u>7</u>
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The emoluments of the highest paid director, who was also the Chief Executive, were:

Gross salary (excluding pension contributions)	<u>140</u>	<u>130</u>	<u>140</u>	<u>130</u>
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The Chief Executive is a member of the Social Housing Pension Scheme on standard terms. This is a defined benefit scheme and contributions made on his behalf for the year totalled £7,752 (2019:£3,463).

From July 2019 the Board has determined, following appropriate advice and benchmarking, that it is appropriate, and continues to be appropriate, that Board and Committee members should be paid for their time and dedication. The annual fees paid to Board members in position at 31 March 2020 are set out below. In addition, Board members are reimbursed for any expenses incurred in carrying out their duties and in attending Board or Committee meetings.

#### Board and Committee member Remuneration:

	£
Nicholas Abbey	11,000
Ohenewa Acheampong	2,000
Paul Bayly	2,000
Faisal Butt	6,500
James Caspell	2,000
Giancarlo Gibbs	6,500
Estera Gliwska	4,250
Clare Harrison	4,250
Pedro Dalton	2,000
Charles Moran	6,500
Karanjit Randhawa	4,250
Jennifer Simnett	6,500
Mark Thrasher	6,500
Steven Winney	4,250
Martin Young	4,250
Jeffrey Astle	<u>2,000</u>
Total	<u>74,750</u>

The total amount paid represents 0.4% of the Group annual turnover

## TOWER HAMLETS COMMUNITY HOUSING

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020 (Continued)

#### 5. Employee information

The total full time equivalent numbers of persons (excluding Board members) employed during the year was:

	GROUP		ASSOCIATION	
	2020 Numbers	2019 Numbers	2020 Numbers	2019 Numbers
Office staff	22	22	22	22
Housing management	29	28	29	28
Handypersons, caretakers and concierge	18	20	28	20
Total number	69	70	69	70

Staff costs (including the Chief Executive, senior management team and temporary staff):

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Wages and salaries	3,983	3,953	3,983	3,953
Social security	306	274	306	274
Pension costs	169	146	169	146
Compensation for loss of office	20	61	20	61
	4,478	4,434	4,478	4,434

#### 6. Remuneration (including compensation for loss of office)

	GROUP		ASSOCIATION	
	2020 Numbers	2019 Numbers	2020 Numbers	2019 Numbers
£60,000 to £69,999	6	4	6	4
£70,000 to £79,999	1	1	1	1
£80,000 to £89,999	-	-	-	-
£90,000 to £99,999	-	1	-	1
£100,000 to £109,999	1	1	1	1
£110,000 to £119,999	1	1	1	1
	9	8	9	8

**TOWER HAMLETS COMMUNITY HOUSING**

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020 (Continued)**

**7. Interest receivable**

	<b>GROUP</b>		<b>ASSOCIATION</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank interest receivable	27	30	26	29
	<u>27</u>	<u>30</u>	<u>26</u>	<u>29</u>

**8. Interest and financing costs**

	<b>GROUP</b>		<b>ASSOCIATION</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Interest payable	2,965	3,204	2,965	3,204
Amounts capitalised	-	-	-	-
Finance costs in pension scheme	45	38	45	38
Interest on disposal proceeds fund	15	15	15	15
Interest on recycled grant fund	9	8	9	8
	<u>3,034</u>	<u>3,265</u>	<u>3,034</u>	<u>3,265</u>

**9. Surplus from sale of fixed assets**

<b>GROUP</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Shared</b>	<b>Other</b>	<b>Total</b>	<b>Total</b>
	<b>Ownership</b>			
Proceeds of sale	734	710	1,444	1,149
Cost of housing properties sold	(524)	(133)	(659)	(245)
Other grant written off	-	-	-	25
Other direct costs of sale	-	(3)	(3)	(4)
Preserved Right to Buy Sharing Agreement	-	(153)	(153)	
Depreciation on disposal	24	8	32	10
Transfer to section 106 proceeds fund	(32)	-	(32)	(9)
	<u>202</u>	<u>427</u>	<u>629</u>	<u>926</u>

<b>ASSOCIATION</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Shared</b>	<b>Other</b>	<b>Total</b>	<b>Total</b>
	<b>Ownership</b>			
Proceeds of sale	734	710	1,444	1,149
Cost of housing properties sold	(524)	(135)	(659)	(245)
Other grant written off	-	-	-	25
Other direct costs of sale	-	(3)	(3)	(4)
Preserved Right to Buy Sharing Agreement	-	(153)	(153)	
Depreciation on disposal	24	8	32	10
Transfer to section 106 proceeds fund	(32)	-	(32)	(9)
	<u>202</u>	<u>427</u>	<u>629</u>	<u>926</u>

## TOWER HAMLETS COMMUNITY HOUSING

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020 (Continued)

#### 10. Surplus for the year

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
The surplus for the year is stated after charging/(crediting):				
Depreciation:				
Housing properties	2,415	2,144	2,415	2,144
Other: Property, Plant and Equipment	128	145	128	145
Intangible Fixed assets	99	159	99	159
Exceptional items:				
Gift aid paid to/(repaid) the Association	-	-	31	911
Auditors' remuneration (excluding VAT):				
As auditors	46	35	44	35
Other fees	4	-	4	-
Operating lease charges:				
Office equipment	154	159	154	159

#### 11. Taxation

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>UK Corporation tax credit</b>	-	-	-	-
Surplus on ordinary activities before tax	(316)	987	(282)	1,857
Surplus on ordinary activities at standard rate of UK corporation tax of 19% (2019: 19%)	(62)	188	(56)	353
Effect of:				
Charitable trading exempt from corporation tax	63	(182)	56	(353)
Tax charge for the year	(1)	6	-	-

TOWER HAMLETS COMMUNITY HOUSING

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020 (Continued)

12. Housing properties

GROUP and ASSOCIATION	General Needs In Development £'000	General Needs Completed £'000	Shared Ownership Completed £'000	Freehold Interests £'000	Garages Parking Spaces & Storage Sheds Completed £'000	2020 Total £'000	2019 Total £'000
<b>Cost</b>							
At 1 April	318	148,413	9,244	156	2,468	160,599	160,934
Additions*	1,265	4,135	-	-	-	5,400	2,113
Disposals	-	(26)	(575)	-	-	(601)	(1058)
Abortive costs	-	-	-	-	-	-	-
Impairment Cost	-	-	-	-	-	-	(1,390)
Transfer from/(to) current assets (note 18)	-	-	-	-	-	-	-
At 31 March	<u>1,583</u>	<u>152,522</u>	<u>8,669</u>	<u>156</u>	<u>2,468</u>	<u>165,398</u>	<u>160,599</u>
<b>Depreciation</b>							
At 1 April	-	10,269	245	5	20	10,539	8,427
Charge for year	-	1,978	61	1	-	2,040	2,144
Disposal of components	-	375	-	-	-	375	(14)
Depreciation on disposals	-	12	(14)	-	-	(2)	(18)
At 31 March	<u>-</u>	<u>12,634</u>	<u>292</u>	<u>6</u>	<u>20</u>	<u>12,952</u>	<u>10,539</u>
<b>Net Book Value</b>							
At 31 March	<u><u>1,583</u></u>	<u><u>139,888</u></u>	<u><u>8,377</u></u>	<u><u>150</u></u>	<u><u>2,448</u></u>	<u><u>152,446</u></u>	<u><u>150,060</u></u>

\*A total of £3,372k was spent on fire safety related works during 2019/20; £1,248k – revenue expenditure and £2,124k – Capital expenditure.

**TOWER HAMLETS COMMUNITY HOUSING**

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020 (Continued)**

**12. Housing properties** (Continued)

The total amount of interest capitalised at 31 March 2020 was £Nil (2019:£Nil)

<b>Costs incurred in the year on existing properties include the following:</b>	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Amounts capitalised – component replacements and void works	642	1,839
Amounts charged to the Statement of Comprehensive Income	4,248	3,476
	<u>4,890</u>	<u>5,315</u>

**13. Intangible Fixed Assets**  
**Group and Association**

	<b>Computer</b> <b>Software</b> <b>£'000</b>	<b>2020</b> <b>Total</b> <b>£'000</b>	<b>2019</b> <b>Total</b> <b>£'000</b>
<b>Cost</b>			
At 1 April	1,535	1,535	1,508
Additions	142	142	27
At 31 March	<u>1,677</u>	<u>1,677</u>	<u>1,535</u>
<b>Depreciation</b>			
As 1 April	1,376	1,376	1,220
Charge for the year	99	99	156
At 31 March	<u>1,475</u>	<u>1,475</u>	<u>1,376</u>
<b>Net book value</b>			
At 31 March	<u>202</u>	<u>202</u>	<u>159</u>



TOWER HAMLETS COMMUNITY HOUSING

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020 (Continued)

14. Other: Property, Plant and equipment

GROUP and ASSOCIATION	Office Buildings £'000	Community Centres £'000	Computer Equipment £'000	Office Furniture & Equipment £'000	Community Equipment £'000	Motor Vehicles & Estate Equipment £'000	2020 Total £'000	2019 Total £'000
<b>Cost</b>								
At 1 April	2,308	1,820	846	531	50	125	5,680	5,672
Additions	40	-	22	-	-	-	62	7
Reclassification of offices	-	-	-	-	-	-	-	-
Movement of Office to Investment	(140)						(140)	-
At 31 March	2,208	1,820	868	531	50	125	5,602	5,679
<b>Depreciation</b>								
At 1 April	114	122	808	472	-	125	1,641	1,496
Charge for year	27	24	20	57	-	-	128	145
Reclassification of offices	-	-	-	-	-	-	-	-
Disposal	(33)	-	-	-	-	-	(33)	-
At 31 March	108	146	828	529	-	125	1,736	1,641
<b>Grants</b>								
At 1 April	-	-	9	-	50	-	59	59
<b>Net book value</b>								
At 31 March	2,100	1,674	31	2	-	-	3,807	3,979

**TOWER HAMLETS COMMUNITY HOUSING**

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020 (Continued)**

**15. Analysis of accommodation**

**Group and Association**

	<b>General Needs</b>	<b>Affordable Rent</b>	<b>Shared- owner</b>	<b>Total rented homes</b>	<b>Leasehold</b>	<b>2020 Total</b>	<b>2019 Total</b>
As at April 2019	1,956	48	66	2,070	1,123	,3,193	3,193
Additions	-	-	-	-	4	4	2
RTB/Staircasing	(2)	-	(2)	(4)	-	(4)	(2)
<b>As at 31 March 2020</b>	<b>1,954</b>	<b>48</b>	<b>64</b>	<b>2,066</b>	<b>1,127</b>	<b>3,193</b>	<b>3,193</b>

**16. Investment properties**

	<b>GROUP</b>		<b>ASSOCIATION</b>	
	<b>2020 £'000</b>	<b>2019 £'000</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
At 1 April	7,825	7,825	7,825	7,825
Additions	108	-	108	-
Movement at fair value	995	-	995	-
Investment properties - fair value	-	-	-	-
At 31 March	<u>8,928</u>	<u>7,825</u>	<u>8,928</u>	<u>7,825</u>

**17. Fixed asset investments**

<b>ASSOCIATION</b>	<b>2020 Total £'000</b>	<b>2019 Total £'000</b>
As at 1 April	11	11
Additions	-	-
As at 31 March	<u>11</u>	<u>11</u>

The company holds 100% of the share capital of the following subsidiary:

<b>Company</b>	<b>Country of incorporation</b>	<b>Shares held</b>	
		<b>Class</b>	<b>%</b>
THCH New Homes Ltd	England	Ordinary	100

The aggregate amount of capital and reserves and the results of the subsidiary for the financial year were as follows:

<b>Principal activity</b>	<b>Capital and reserves as at 31 March 2020 £'000</b>	<b>Loss for the year ended 31 March 2020 £'000</b>
Home development	<u>66</u>	<u>(26)</u>

## TOWER HAMLETS COMMUNITY HOUSING

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020 (Continued)

#### 18. Shared Ownership Properties developed for sale

<b>GROUP and ASSOCIATION</b>	<b>2020 In Development £'000</b>	<b>2020 Completed £'000</b>	<b>2020 Total £'000</b>	<b>2019 Total £'000</b>
At 1 April	-	-	-	2,411
Additions in year	-	-	-	-
Impairment in year	-	-	-	(2,411)
At 31 March	-	-	-	-

THCH annually reviews its fixed assets and investments for impairment.

#### 19. Stock and work in progress

<b>GROUP</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
Housing properties for sale In development	8	12

#### 20. Debtors

	<b>GROUP</b>		<b>ASSOCIATION</b>	
	<b>2020 £'000</b>	<b>2019 £'000</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
Rental debtors	343	615	343	218
Less: provision for bad debts	(414)	(465)	(414)	(68)
	(71)	150	(71)	150
Leasehold debtors	653	412	653	412
Other debtors	809	817	809	817
Amounts due from subsidiary undertakings	-	-	4	-
Prepayments and accrued income	2,058	1,029	2,058	1,029
	3,449	2,408	3,453	2,408

#### 21. Creditors: Amounts falling due within one year

	<b>GROUP</b>		<b>ASSOCIATION</b>	
	<b>2020 £'000</b>	<b>2019 £'000</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
Trade creditors	115	267	115	267
Other creditors including other taxes and social security	1,509	1,115	1,509	1,115
Accruals and deferred income	2,843	2,605	2,546	2,303
Government grants (Note 25)	1,008	1,006	1,008	1,006
Disposal Proceeds Fund (Note 23)	2,169	2,154	2,169	2,154
Recycled Capital Grant Fund (Note 24)	942	555	942	555
	8,586	7,702	8,289	7,400

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020 (Continued)

22. Creditors: Amount falling due after more than one year

	GROUP		ASSOCIATION	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Housing Loan - Santander	49,732	48,679	49,732	48,679
Disposals proceeds fund (Note 23)	-	-	-	-
Recycled capital grant fund (Note 24)	273	652	273	652
Section 106 Disposal Proceeds	43	11	43	11
Government grants (Note 25)	8,338	6,454	8,338	6,454
	<u>58,386</u>	<u>55,796</u>	<u>58,386</u>	<u>55,796</u>
SHPS pension provision	788	3,062	788	3,062
	<u>59,174</u>	<u>58,858</u>	<u>59,174</u>	<u>58,858</u>

THCH has in place total facilities of £89m with Santander Corporate Banking Services plc. THCH has drawn down £14m of this facility at variable rates of interest and £35.7m (£36m less £0.27m loan issue costs) of the facility is for fixed periods up to 2025. The facility includes a revolving credit facility for £285m which ceases to be a revolving facility one month prior to 31 March 2025 (maturity date). The loans are secured on the properties of THCH.

***The Social Housing Pension Scheme***

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

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

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

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

**TOWER HAMLETS COMMUNITY HOUSING**

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020 (Continued)**

*The Social Housing Pension Scheme (continued)*

**Present values of provision**

	<b>31 March 2020</b>	<b>31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
Present value of provision	<u>464</u>	<u>1,197</u>

**PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)**

	<b>Period Ending 31 March 2020</b>	<b>Period Ending 31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of plan assets	3,859	3,655
Present value of defined benefit obligation	<u>(4,323)</u>	<u>(4,852)</u>
Surplus (deficit) in plan	(464)	(1,197)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	<u>(464)</u>	<u>(1,197)</u>

**RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION**

	<b>Period Ending 31 March 2020</b>
Defined benefit obligation at start of period	4,852
Current service cost	33
Expenses	4
Interest expense	114
Contributions by plan participants	20
Actuarial losses (gains) due to scheme experience	73
Actuarial losses (gains) due to changes in demographic assumptions	(42)
Actuarial losses (gains) due to changes in financial assumptions	(625)
Benefits paid and expenses	(106)
<b>Defined benefit obligation at end of period</b>	<u>4,323</u>

## TOWER HAMLETS COMMUNITY HOUSING

### RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	<b>Period Ending 31 March 2020</b>
Fair value of plan assets at start of period	3,655
Interest income	87
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	63
Contributions by the employer	140
Contributions by the participants	20
Benefits paid and expenses	(106)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
<b>Fair vale of plan assets at end of period</b>	<u><u>3,859</u></u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £150,000.

### Key Assumptions

	31 March 2020 % per annum	31 March 2019 % per annum
Discount Rate	2.35	2.35
Inflation (RPI)	2.56	3.25
Inflation (CPI)	1.56	2.25
Salary Growth	2.56	3.25
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

## TOWER HAMLETS COMMUNITY HOUSING

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020 (Continued)

#### 23. Disposal proceeds fund

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
At 1 April	2,154	2,219	2,154	2,219
Grant recycled	-	(80)	-	(80)
Allowable expenses	-	-	-	-
Interest accrued	15	15	15	15
At 31 March	<u>2,169</u>	<u>2,154</u>	<u>2,169</u>	<u>2,154</u>

#### 24. Recycled capital grant fund

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
At 1 April	1,207	1,095	1,207	1,095
Grant transferred to/ from fund	-	105	-	105
Interest accrued	8	7	8	7
At 31 March	<u>1,215</u>	<u>1,207</u>	<u>1,215</u>	<u>1,207</u>

#### 25. Deferred income – Government grants

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
At 1 April	(7,460)	(7,548)	(7,460)	(7,548)
Grants receivable	(1,946)	-	(1,946)	-
Grant write off	-	28	-	28
Amortisation to Statement of Comprehensive Income	60	60	60	60
At 31 March	<u>(9,346)</u>	<u>(7,460)</u>	<u>(9,346)</u>	<u>(7,460)</u>
Amortisation within one year	(1,008)	(1,006)	(1,008)	(1,006)
Amortisation after one year	(8,338)	(6,454)	(8,338)	(6,454)

The total amount of grants received before amortisation at the year end is £1.9m

#### 26. Non-equity share capital

THCH is a company limited by guarantee and has issued share capital of £1 to each Board director. In the event of a winding up the members of the company are liable to the value of their £1 share each to satisfy their guarantee to the company.

## TOWER HAMLETS COMMUNITY HOUSING

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020 (Continued)

#### 27. Capital commitments

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Capital expenditure contracted for	-	-	-	-

Group capital expenditure contracted for relates to housing development schemes which are funded by property sales income, grants and the balance by undrawn loan facilities.

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Capital expenditure that has been authorised by the Board but has not yet been contracted for	-	-	-	-

#### 28. Operating leases

At 31 March 2020 THCH had total operating lease commitments as follows:

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Office equipment</b>				
Due in one year	154	159	154	159
Due between one and five years	242	396	242	396
Due after five years	-	-	-	-
	<u>396</u>	<u>555</u>	<u>396</u>	<u>555</u>



## TOWER HAMLETS COMMUNITY HOUSING

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020 (Continued)

#### 29. Pension scheme

THCH participates in two defined benefit final salary schemes, the London Borough of Tower Hamlets Pension Scheme and the Social Housing Pension Scheme.

Summary of liability:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
LBTH LGPS	324	1,865
SHPS	464	1,197
Total liability	<u>788</u>	<u>3,062</u>

The disclosures required by Financial Reporting Standard 17 are as follows:

##### *London Borough of Tower Hamlets Pension Scheme*

This fund is a defined benefit scheme administered by the London Borough of Tower Hamlets under regulations governing the Local Government Pension Scheme (LGPS). The fund's assets are held separately from the assets of THCH.

Contributions to the scheme are determined by a qualified actuary on the basis of valuations, using the projected unit method. A full actuarial valuation was carried out at 31 March 2013 and updated to 31 March 2020 by a qualified independent actuary. The major assumptions used by the actuary were as follows:

<b>Assumptions</b>	<b>31 March</b>	<b>31 March</b>
	<b>2020</b>	<b>2019</b>
	<b>%</b>	<b>%</b>
Rate of inflation	1.9	2.4
Rate of salary increases (inflation and promotion)	2.1	2.3
Expected return on assets	(0.4)	3.7
Discount rate	2.3	2.4

The expected rates of return are summarised as follows:

	<b>31 March</b>	<b>31 March</b>
	<b>2020</b>	<b>2019</b>
	<b>%</b>	<b>%</b>
Equities	(0.4)	3.7
Bonds	(0.4)	3.7
Property	(0.4)	3.7
Cash	(0.4)	3.7

The fair value of employer assets is summarised as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Equities	5,935	5,753
Bonds	2,868	2,781
Property	989	959
Cash	99	96
Share of fair value of scheme assets	<u>9,891</u>	<u>9,588</u>

## TOWER HAMLETS COMMUNITY HOUSING

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020 (Continued)

#### 29. Pension scheme (continued)

The fair value of the above assets and liabilities attributable to Tower Hamlets Community Housing at 31 March was:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Share of fair value of assets	9,891	9,588
Share of liabilities	(10,215)	(11,453)
Share of scheme deficit	<u>(324)</u>	<u>(1,865)</u>

The amounts recognised in the financial statements are as follows:

<b>Recognition in the Statement of Comprehensive Income</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	67	66
Expected return on pension scheme assets	(229)	(243)
Interest cost on pension scheme liabilities	274	281
Total	<u>112</u>	<u>104</u>

<b>Reconciliation of defined benefit obligation</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Opening defined benefit obligation	11,453	10,467
Interest cost	274	281
Current service cost	67	66
Contributions by members	11	13
Actuarial loss/gain	(1,385)	828
Estimated benefits paid	(205)	(202)
	<u>10,215</u>	<u>11,453</u>

<b>Reconciliation of fair value of employer assets</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of employer assets	9,588	9,078
Expected return on assets	229	243
Contributions by members	11	13
Contributions by the employer	57	67
Actuarial gain/(losses)	211	389
Benefits paid	(205)	(202)
Share of scheme assets	<u>9,891</u>	<u>9,588</u>

<b>Amounts for the current and previous accounting periods</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of employer assets	9,891	9,588
Present value of defined benefit obligation	(10,215)	(11,453)
Deficit	<u>(324)</u>	<u>(1,865)</u>
Experience gains/(losses) on assets	211	389
Experience (losses)/gains on liabilities	3,185	(828)

## TOWER HAMLETS COMMUNITY HOUSING

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020 (Continued)

#### 30. Financial instruments

The carrying values of the Group and Association's financial assets and liabilities are summarised by category below:

	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Financial assets</b>				
Cash	5,675	6,100	5,368	5,757
Measured at undiscounted amount receivable:				
Rent arrears and other debtors net of bad debt provision (see note 20)	(71)	150	(71)	150
	<u>5,604</u>	<u>6,250</u>	<u>5,297</u>	<u>5,907</u>
<b>Financial liabilities</b>				
Measured at amortised cost				
Loans payable (see note 22)	49,732	48,679	49,732	48,679
Measured at undiscounted amount payable				
Trade and other creditors (see note 21)	1,624	1,383	1,624	1,383
	<u>51,356</u>	<u>50,062</u>	<u>51,356</u>	<u>50,062</u>

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	2020 £'000	2019 £'000
<b>Interest income and expense</b>		
Total interest income for financial assets at amortised cost	27	30
Total interest expense for financial liabilities at amortised cost	3,034	3,265

#### 31. Subsidiary undertakings

On 20 March 2007, THCH formed a commercial subsidiary company, THCH New Homes Limited, in which THCH holds a 100% shareholding interest. The main purpose of the company is to undertake market sale developments.

THCH New Homes Limited is registered with Companies House under Number 6171492.

#### 32. Related party transactions

During the year no loans was provided to THCH New Homes Limited (2019: £Nil) by THCH. THCH will continue to support THCH New Homes Limited by funding its capital commitments.

During the year, THCH New Homes Limited recorded a Gift Aid donation of £31,000 to THCH (2019: £911,000).

#### 33. Contingent liability

In the calculation of the defined benefit pension scheme liability, no allowance has been made in respect of potential liabilities arising from the McCloud court judgement, given some uncertainty around this judgement with the government awaiting news of its right to appeal. No provision has been made because (a) it is not considered probable that an outflow of resources will be required to settle the obligation and (b) the amount of the obligation cannot be measured with sufficient reliability.

#### 34. Post Balance sheet event

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

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