Livin Housing Limited Report and Financial Statements

For the year ended 31 March 2020

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Report and Financial Statements
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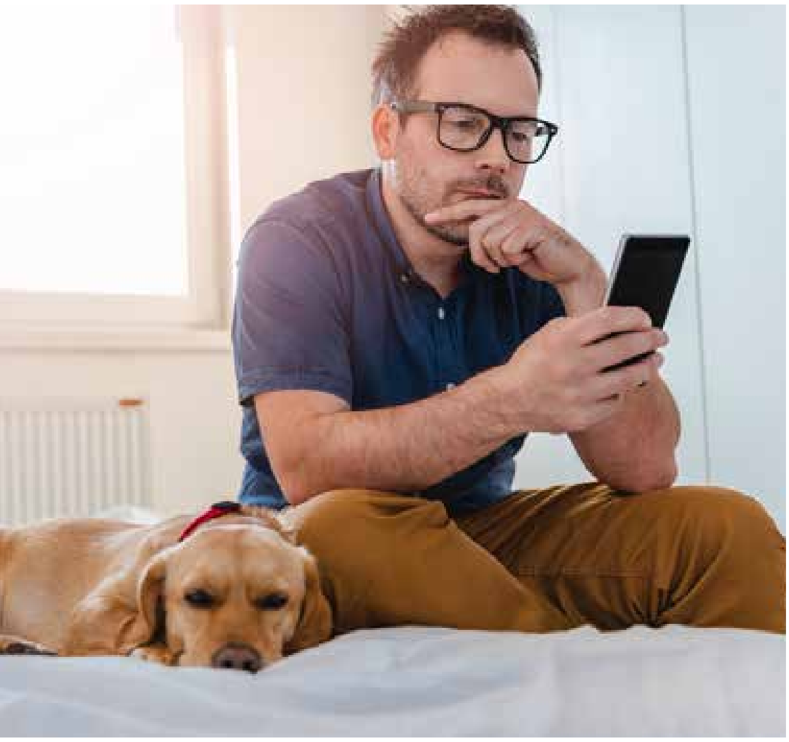

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Chair of the Board

Alan Fletcher

Vice Chair

Kevin Thompson

Board members

Adele Barnett
Oliver Colling
Dennis Bradley
Charlotte Harrison
Norman Rollo
Hannah Underwood
Gillian Stacey
Sheila Rooney (from 1st January 2020)

External auditors

Beever and Struthers
Chartered Accountants
and Business Advisors
St George's House
215-219 Chester Road
Manchester, M15 4JE

Registration numbers

Regulator of Social Housing L4538

Registered Society number 30568R

Chief executive

Colin Steel

Executive directors

Sean Brodie (Finance and Development)
Alan Boddy (Housing and Operations)

Advisors

Bankers:

Nat West PLC
12 Market Street
Durham
County Durham
DH1 3NG

Solicitors:

Trowers & Hamlins LLP
3 Bunhill Row
London
EC1Y 8YZ

Internal auditors:

TIAA Ltd
Artillery House
Fort Fareham
Newgate Lane
Fareham
PO14 1AH

Registered office:

Farrell House
Arlington Way
DurhamGate
Spennymoor
County Durham
DL16 6NL

Chair's Statement

As Chair I am proud to report that Livin has continued to provide essential services during these uncertain times. We were able to demonstrate another year of strong progress and continued to deliver key achievements and successes, in line with our business strategy, Plan A.

The operating environment remains incredibly challenging with the impact of Covid-19 being felt by everyone. Customers face ongoing uncertainty from both health and financial perspectives. Despite these major issues we were able to offer support where it was needed the most. In addition to offering help with Universal Credit claims and signposting customers to various Government support packages, we introduced our Tenant Emergency Support Service (TESS) in response to the Covid-19 crisis, ensuring that additional support was available for our older and vulnerable tenants. This included support with essential requirements such as food, money support and white goods but also included help with other challenges faced by our customers, such as loneliness, domestic abuse and mental health.

We identified that communication was key during this period and kept customers up to date via our website and customer services team. This was especially reassuring for customers to know that critical services, such as gas servicing, were being carried out with customers' safety at the forefront of our services.

This report highlights some of our key strengths and overall performance. Following the refinancing of our legacy loans in March 2019 we were able to refresh our ambitious business strategy, Plan A. We also recognise the growing need to address key environmental challenges and have begun to develop a crosscutting strategy to ensure we minimise the impact on the planet as we deliver our strategic objectives. Our business strategy, Plan A, sets out 23 ambitious challenges facing us and is radical and realistic in setting out our path to success. Our significantly increased borrowing capacity enabling our plans for future growth. These include developing more than 1,200 new homes, for affordable rent, over the next 10 years and regenerating selected communities.

Our achievements would not be possible without our very high standards of governance. These allow us to react to the challenging environment and to continue to improve performance in key areas, delivering some excellent outcomes for our tenants and communities.

We are delighted that following a stability check we retained the top governance and financial viability ratings of G1 and V1.

We expect that recovery from the Covid-19 pandemic will be prolonged, but we remain focused and dedicated to supporting our customers during these difficult times.

Alan Fletcher
Chair of the Board

Chief Executive's Statement

During the year, we continued to make excellent progress in delivering the strategic objectives set out in our refreshed business strategy, Plan A. The strategy was updated following refinancing in 2019 to adapt to changing customer expectations, technological advances and environmental issues. "The Livin Way" is our one team approach to ensure all staff are pulling in the same direction and work together to help us be excellent, enterprising and productive.

Livin remains financially strong as demonstrated by our EBITDA MRI as a % of turnover, which was 26.2% (2019: 29.4%). Our results show a surplus for the year of £6.494m (2019 £6.03m excluding refinancing costs) showing our underlying performance remains strong.

New loan facilities of £120m, put in place in March 2019, created additional headroom to grow the business and fund our development programme. Whilst Covid-19 has had a major impact on our customers and stakeholders we continue to be financially resilient, with liquidity of approximately £30.6m at the year end.

We continue to work closely with our strategic partner Mears plc, to deliver services to high standards whilst ensuring customers health, wellbeing and safety remain our priority as social distancing measures were introduced and remained in place.

Our aim continues to be to offer more personalised services and tailored products, across a range of tenures that will allow customers to remain in their homes for longer.

We will continue to focus on sustaining strong communities and creating places where people choose to live through the provision of great homes and opportunities. We will invest in and support our staff to ensure we have the skills and the environment to enable them to flourish and achieve their full potential to deliver business success.

As ever, our achievements during the year are the result of the efforts and contributions of many people. I'd like to reassure our customers that delivering a brilliant customer experience remains a key objective. I'd also like to thank our staff and strategic partners for their response to the Covid-19 pandemic and the agility and flexibility they showed in adapting to our customers' needs.

Colin Steel

Colin Steel
Chief executive

At a Glance

2020
Operating margin
26.0%
2019 30.9%

2020
EBITDA
£13.921m
2019 £14.796m

2020
Homes under management
8,458
2019 8,408

2020
Number of housing responsive repairs completed
29,812
2019 27,726

2020
Void loss
(all properties)
2.06%
2019 2.17%

2020
Total arrears
(adjusted for housing benefit due)
2.90%
2019 2.52%

2020
Investment
(housing developments, acquisitions and improvements to homes)
£21.554m
2019 £15.207m

2020
Social value generated
£10.6m
2019 £11.83m

Our Business

The Board of Livin are pleased to present this report together with the audited financial statements of Livin Housing Limited (the Association) for the year ended 31 March 2020. This strategic report has been prepared in accordance with the principles set out in paragraph 4.7 of the 2018 SORP for Registered Social Housing Providers.

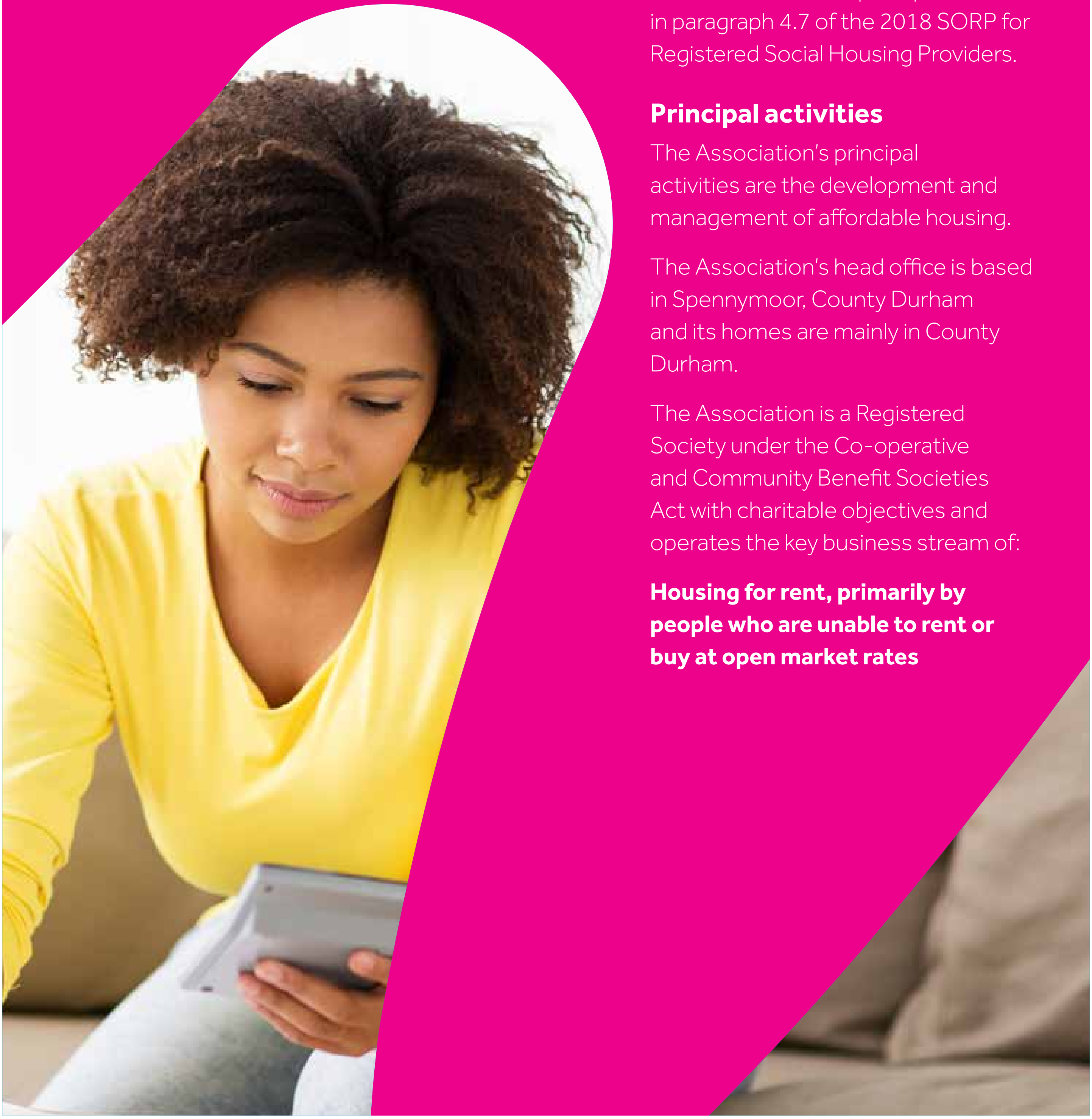
Principal activities

The Association's principal activities are the development and management of affordable housing.

The Association's head office is based in Spennymoor, County Durham and its homes are mainly in County Durham.

The Association is a Registered Society under the Co-operative and Community Benefit Societies Act with charitable objectives and operates the key business stream of:

Housing for rent, primarily by people who are unable to rent or buy at open market rates



Board Members

Alan Fletcher
Chair of the Board

Alan has been a Board member with Livin since 2012 and is Chair of the Board. He is a member of the Human Resources and Remuneration, Housing and Assets, and Finance and Development committees.

Most of Alan's working life has been in transport and distribution in a variety of operational and management roles. Since retiring he has trained and worked in the voluntary sector, with a particular interest in welfare rights and benefits.

Kevin Thompson
Vice Chair of the Board

As a County Councillor for the Spennymoor and Middlestone Ward and Town Councillor for Byers Green, Kevin has community and local priorities firmly at the forefront of his responsibilities.

As a school Governor Kevin has a strong interest in matters around education, as well as social housing and welfare reform. At Durham County Council his key area of interest is planning where he believes that the transparency of the public agenda is paramount at a grass roots level, working for the benefit of the community. Kevin has previously served on Livin's Board through periods of significant transformation and contributed to developing Livin as an efficient and sustainable business, supporting tenants to improve their lives.

Adele Barnett
Independent Board member

Adele has been a Board member since 2014 and previously chaired the HR and Remuneration Committee. She is currently a member of the Audit and Risk Committee, Human Resources and Remuneration Committee and is Chair of the Housing and Assets Committee.

A graduate of sociology, Adele has worked in health and social care for over 14 years in local government and voluntary organisations, and has managed an information service providing advice to disabled people and carers about a variety of issues including housing and employment.

Adele believes in quality service provision having worked for Durham County Council Children and Adults Services with responsibility for the Services Quality Assurance Programme and Policy Framework. Currently community events manager for Darlington Elim church she is responsible for the development and delivery of community outreach events, and is passionate about building strong community links.

Board Members

Oliver Colling

Independent Board member

Oliver has been a Board member with Livin since 2015 and is currently Chair of the Audit and Risk Committee. He is also a member of the Finance and Development Committee.

A Durham University graduate, Oliver has built three successful businesses and is a qualified accountant. With over 25 years' experience Oliver runs a management consultancy business and has helped a broad range of organisations and individuals reach their full potential through strategic business advice and enabling them to 'do things better'.

Oliver's business and finance skills bring commercial acumen to Livin's Board, underpinned by his belief that everyone deserves a decent home regardless of their background.

Dennis Bradley

Independent Board member

Dennis has been a Board member since November 2016 and prior to that he was Chair of Livin's Scrutiny Group. He is currently Chair of the Finance and Development Committee and also a member of the Housing and Assets and the Human Resources and Remuneration committees.

With two master's degrees, Dennis has over 40 years' experience in the public sector. Driven by a strong social conscience and experience of the workings of large, complex organisations Dennis spends his time since retiring assisting as a Chair of Governors, as well as his work with Livin.

Dennis believes that a secure, affordable home is a necessity for all and is committed to bringing his experience and skills to help support the Board.

Norman Rollo

Independent Board member

Norman has been a Board member since November 2016. He is currently Chair of the Human Resources and Remuneration Committee and a member of the Audit and Risk and Housing and Assets Committees.

With a professional career in human resources and management consultancy, Norman has also, in previous roles, been responsible for developing community services and providing excellent customer support.

Brought up in a council house, Norman, is proud of what good social housing can offer to tenants and the respect and self-worth it can bring to those it supports. He is committed to ensuring Livin's tenants receive great services delivered with care, courtesy, fairness and respect.

Charlotte Harrison

Independent Board member

Charlotte has been a Board member since February 2017. She is currently on the Finance and Development and Human Resources and Remuneration committees.

With over 20 years' experience in the housing sector across a variety of housing organisations, Charlotte began her career in London working for a Latin American Housing Co-operative which was part of a wider network of agencies working with the Latin American community. Since then Charlotte worked in the South West and North East before joining the Northern Housing Consortium where she led the policy and public affairs service for 12 years.

Charlotte is passionate about the role housing can play in supporting opportunity for both individuals and communities and is committed to bringing her experience and knowledge to the Board.

Hannah Underwood
Independent Board member

Hannah is passionate about enabling people to flourish and brings extensive leadership and business improvement skills through her experience of leading award winning businesses to deliver innovation and growth. Hannah has a strong interest in supporting youth projects to empower young people in the region, which help raise potential for them to meet their aspirations.

With a 'social heart', Hannah is passionate about sustaining strong communities and is committed to adding value to Livin's mission through exploring and considering wider social and economic issues and their impact on housing.

Gillian Stacey
Independent Board member

Masters qualified, Gillian has a wealth of experience in strategic leadership and management and in supporting community initiatives across the UK. With over 25 years of senior charity management experience, particularly in the health, social care and philanthropy sectors. She has an extensive track record in change management, strategy development and growth.

Gillian is committed to delivering real benefits to Livin and its communities, helping marginalised people to access services and, in particular, the elderly and people with dementia.

Sheila Rooney
Independent Board member

Sheila is a Livin tenant and joined the Board in January 2020. With over 20 years' experience in the health and wellbeing industry Sheila has spent most of her working career as a heart and chest nurse. She worked as a non-executive director at the NHS primary trust for four years and volunteered for 10 years at the Citizens Advice Centre and The Counselling Service.

Sheila, who is now retired, previously worked at Northumbria University teaching health science and worked across East Durham aiding people back to work through condition management. She holds a Master's degree in Health Science's and a Bachelor's Degree in Health Studies, along with Strategic Management and Adult Education certification.

Sheila lives in one of our local communities and is passionate about wider social issues and helping to improve the lives of people living in local communities.

Board members appointed during the year:

Board member	Date of appointment
Sheila Rooney	1 January 2020

There were no Board member retirements during the year.

Board Attendance

The table below shows each Board members' attendance of the Board and Committee meetings they were able to attend during the financial year:

Board Member	Board	Performance board	Audit and risk	Finance and development	Housing and assets	HR and remuneration
Alan Fletcher	8/8	4/4		2/4	4/4	1/1
Kevin Thompson	8/8	3/4	2/3		5/5	
Adele Barnett	8/8	4/4	4/4		5/5	1/1
Oliver Colling	8/8	2/4	4/4	3/4		
Dennis Bradley	6/8	4/4		4/4	4/4	1/1
Charlotte Harrison	8/8	3/4	2/2	3/4		1/1
Norman Rollo	8/8	4/4	3/4		4/5	1/1
Sheila Rooney	2/2	1/1				
Hannah Underwood *	1/1	0/0	0/0	1/1		
Gillian Stacey	7/8	4/4		3/4	4/5	

*During the year Hannah Underwood had a period of maternity leave

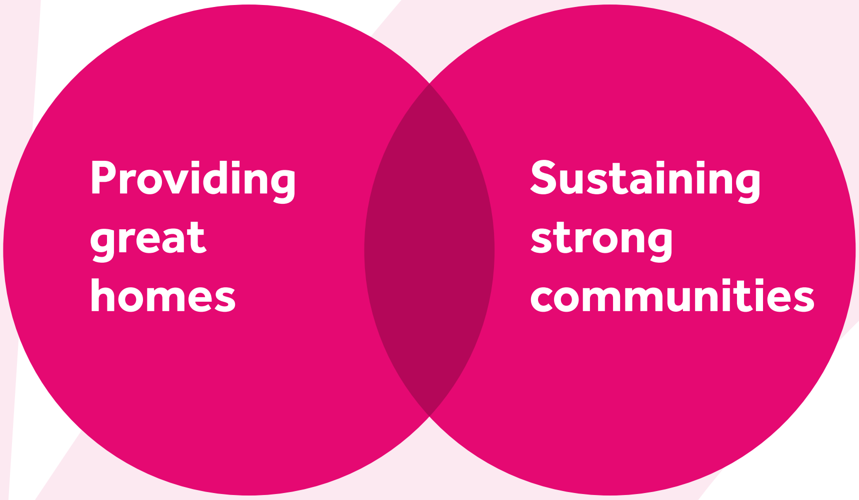
The executive directors are the chief executive and other members of the Association's senior management team. They hold no interest in the Association's shares and act as executives within the authority delegated by the Board.

The Association has insurance policies which indemnify Board members and staff against liability when acting for the Association.

Business Strategy

Livin's high-level strategic plan, Plan A, was reviewed by Board and updated to cover the period April 2019 to March 2022. Plan A enables us to "continue to grow and develop Livin to enable us to continue the great work we do to improve the lives of people living in our local communities". It provides a clear direction and focus for growing our business in line with our mission to provide great homes, sustain strong communities and build a successful future.

Building a successful future

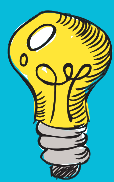


Values

The way in which we will deliver our strategic plan is supported by our values:

Be Excellent

- Taking personal responsibility
- Owning challenges
- Delivering high standards



Be Enterprising

- Trying new things
- Being future-ready
- Challenging the norm

Be Productive

- Stretching targets
- Being efficient
- Doing what matters

Plan A sets out our **ideas for the future**. It aims to deliver a **brilliant customer experience**. It sets out seven very clear, measurable and deliverable high-level objectives, which provide us with **23 ambitious challenges**. It's **radical** and realistic. It sets out **a path to success**. It's flexible. It can cope with the things we do not yet know. We are **one team**. Plan A is our map to a **better future**. It's the **next step** in our journey.

Objectives, challenges and key actions

Plan A is underpinned by seven high level business objectives and a series of strategic objectives which are structured to align to our mission.

These high level business objectives, are:

1. **Delivering a brilliant customer experience**
2. **Supporting sustainable tenancies**
3. **Providing quality homes**
4. **Enabling strong communities**
5. **Building and acquiring homes**
6. **Enabling employees to flourish**
7. **Maintaining strong finances and governance**

Measuring success

Our criteria for success in delivering Plan A means;

Our customers will:

- Feel their personal needs have been met and they are treated as individuals. They will find it easy to interact with us and have their needs heard and responded to quickly.
- Live independently with the help of personalised health and wellbeing support and receive financial inclusion support, which will make it easier for them to pay their rent. Those customers that fall into arrears will receive the targeted support they need.

Our communities will:

- Be confident and empowered.
- Maximise value from investment we make in them.

We will:

- Provide a valued and used digital tenancy management offer along with a modern effective and efficient repairs and maintenance service. We will offer a modern property portfolio that meets tenants needs and aspirations with improved energy efficiency and a reduced carbon footprint.
- Stretch employees and their teams, working towards challenging goals, always learning and trying new and better ways of doing things. Engaged employees will buy into Plan A priorities and be affiliated with the "Livin team".
- Demonstrate we are competitive and attractive to current and future investors whilst delivering Value for Money.
- Be effective in our governance arrangements enabling timely and effective decision making. Our financial management will be dynamic allowing us to seize opportunities.

Our housing developments will:

- Be successful, sustainable and in demand, maximising the number of new homes delivered.
- Deliver Value for Money.
- Comprise of a range of standard house types that meets the needs and aspirations of current and future tenants.

Finance - Five Year Summary

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Statement of Comprehensive Income					
Turnover	35,068	34,758	34,551	34,545	35,522
Operating surplus	12,872	13,606	11,387	10,689	9,247
Surplus/(deficit) for year	8,571	9,262	6,523	(23,286)	6,494
Statement of Financial Position					
Housing properties (net of depreciation)	112,360	116,300	120,197	129,113	143,868
Investment properties and other investments	7,487	7,748	7,654	7,829	7,409
Other fixed assets	4,337	3,917	3,793	3,809	3,716
Total fixed assets	**124,184**	**127,965**	**131,644**	**140,751**	**154,993**
Current assets	5,282	4,849	11,168	5,849	7,291
Current liabilities	(13,902)	(5,520)	(6,184)	(5,520)	(3,927)
Total assets less current liabilities	**115,564**	**127,294**	**136,628**	**141,080**	**158,357**
Long term loans	70,183	72,107	74,222	99,994	110,271
Pension deficit	2,120	5,660	6,840	7,030	8,090
Revenue reserve	36,333	42,628	48,912	27,271	33,629
Revaluation reserve	6,928	6,899	6,654	6,785	6,367
Total reserves	**115,564**	**127,294**	**136,628**	**141,080**	**158,357**
Net debt	**69,315**	**62,247**	**56,977**	**88,327**	**89,398**
Other information and key performance measures					
Housing properties (homes)	8,480	8,373	8,376	8,408	8,458
Operating surplus as a % of turnover	36.7%	39.1%	33.0%	30.9%	26.0%
Surplus for the year as % of turnover (excluding breakage costs)	24.4%	26.6%	18.9%	17.5%	18.3%
Rent losses (voids + bad debt as a % of rent receivable)	3.5%	2.9%	2.6%	2.6%	2.5%
EBITDA	17,151	17,958	15,713	14,769	13,921
EBITDA MRI	10,248	11,822	11,859	10,136	9,299
EBITDA MRI % turnover	29.2%	34.0%	34.3%	29.3%	26.2%
Interest cover – loan covenant (excluding breakage costs)	2.74	2.57	2.35	2.05	3.13

Financial Review

EBITDA MRI is used to monitor financial performance as this provides a closer match for essential loan covenant monitoring. Using this measure, performance has declined from £10.163m to £9.299m. This reduction in performance is the result of strategic investment in the repairs service which increased costs by £1.1m. This has reduced the average time taken to complete repairs by five days and improved customer satisfaction.

Operating surplus reduced by £1.442m to £9.247m. Turnover increased despite the 1% reduction in rents imposed through legislation. This was a result of £0.9m worth of first Tranche Shared Ownership sales and 125 new properties available for let. Operating costs also increased due to the cost of Shared Ownership sales and increased repairs and depreciation costs. Social Housing deprecation increasing by £0.6m, a result of new acquisitions and continued major repairs spend.

Despite a lower operating margin, overall surplus improved to £6.494m (2019 £6.03m excluding breakage costs) a result of reduced interest costs following refinancing in March 2019.

Rent losses from voids

The type and location of certain properties, combined with the impact of Welfare Reform on housing benefit dependent tenants, has resulted in areas of low demand. Our Asset intervention strategy and other mitigations continue to reduce this impact and have a positive impact.

The void loss in 2019/20 was £0.691m compared to £0.73m in the previous year.

Asset management and property developments

We are continuing to improve our residential accommodation. During 2019/20 we invested £16.932m to acquire homes, including low cost home ownership properties and invested £4.622m to ensure all our homes continue to meet the Decent Homes Standard.

Future developments

It is essential that we listen and respond to the needs of our customers through the use of our transactional data and by engaging directly with customers. This allows us to align our activities to the needs and concerns of our customers.

Two of our key objectives remain "providing quality homes" and "building and acquiring homes." The Board has approved plans to spend approximately £7.3m during the next financial year to improve existing general housing and £17.8m (net of grant) to be spent on the provision of new homes. This investment will be funded by existing committed, undrawn loan facilities, Livin's rental income stream and short term deposits.

Rent arrears

Overall, rent arrears in respect of current tenancies at the year-end stood at 1.79% (2019: 1.53%) after accounting for the timing of a housing benefit payment received shortly after the year end. Livin offers support with money management to current and future customers from the point of application and throughout their tenancy.

During the year, Livin has continued to see many tenants transfer from the existing benefits system to Universal Credit. Of the forecast number of tenants that will migrate to Universal Credit, approximately 60% had done so at the year end.

Livin has identified that many households find Universal Credit harder to manage than traditional weekly benefits and rent arrears amongst claimants is higher than the average rent arrears for Livin households. Livin offers additional support to Universal Credit claimants, including welfare benefits advice, budgeting and income maximisation support, and referrals to debt advisors and other third party agencies where appropriate.

Livin continues to focus on supportive arrears management, and works with existing and potential new tenants to ensure that they are able to afford their home, creating sustainable tenancies.

Capital Structure and Treasury Policy

Livin's treasury management arrangements are set out below.

Livin's original debt facilities agreed at transfer (March 2009) were replaced in March 2019 with new bi-lateral facilities. These facilities totalled £120m, of which £93m were drawn at the year end. A summary of the borrowings at year end is shown in the table below.

Maturity	2020 £m	2019 £
Within one year	-	-
Between one and two years	-	-
Between two and five years	3.0	11.0
After five years	90.0	80.0
	93.0	**91.0**

Working capital and liquidity management

Livin's working capital and liquidity requirements are managed through the preparation of regular cash flow forecasts. These are constantly updated to ensure liabilities can be met as they fall due. Livin holds loans from Pension Insurance Corporation, AIB Group (UK) plc and Lloyds Bank plc, at both fixed and floating rates of interest. Cash flow is monitored to ensure that loan drawdowns are only made when required, in order to minimise borrowing costs.

Interest rates

Fixed rate loans are used to manage the Association's exposure to interest rate fluctuations. The Association's treasury policy targets a maximum of 30% variable rate loans or a maximum of 90% fixed rate loans. At the year end the amount of variable loans outstanding were £13m, resulting in 86% of the Association's borrowings being at fixed rates at the year end.

The range of interest rates on the fixed rate loans varies between 2.742% and 3.207% (including margins) and between 1.356% and 2.118% on the floating loans.

Borrowing capacity has increased by approximately 84% following the completion of a stock condition survey in early 2019 which was used to inform the latest stock valuation. This has allowed the Board more flexibility to deliver their medium term strategic objectives.

Peak debt

Livin's business plan for 2020-50 has been prepared in accordance with the existing capital structure and includes a pipeline of developments over the next ten years, with peak debt forecast at £187.2m in March 2030.

Golden rules

Financial strength is key to delivering Plan A and during the year Livin established a set of golden rules. These rules are a series of financial performance measures designed to ensure that Livin is not overly exposed to risk, remains financially robust and attractive to existing and potential funders. A summary of these golden rules is shown below along with expected performance based on the latest business plan:

Area	Golden rule	Trigger	2020.21	2021.22	2022.23	2023.24	2024.25
Liquidity *	24 months	30 months	35 months	23 months	11 months	0 months	0 months
Covenant – interest cover	Min 1.40x	Min 1.50x	1.86	1.72	1.72	1.70	1.61
Covenant – gearing	Max 70%	Max 65%	48%	47%	46%	45%	45%
Market risk	Max 10%	N/A	0%	0%	0%	0%	0%
On-lending	Max £12m	Max £9m	£0	£0	£0	£0	£0
– EBITDA margin	Min 30%	N/A	36%	39%	39%	42%	44%
– Voids	Max 5.0%	Max 3.0%	2.50%	2.50%	2.50%	2.50%	2.50%
– Bad debt	Max 2.65%	Max 1.5%	1.49%	1.49%	1.49%	1.49%	1.49%
Credit rating – social housing lettings interest cover	Min 1.40x	N/A	1.78	1.87	1.88	2.22	1.97
Credit rating – EBITDA: debt	Max 15x	N/A	8.08	7.74	7.92	7.70	7.81
Security value of properties to peak debt	100%	N/A	121%	123%	124%	127%	129%

*Liquidity is measured as at the start of the financial year

The golden rules show that Livin will continue to meet the financial targets defined by Board over the medium term and that current development aspirations will require additional funding before the end of 2022/23.

Employees

We recognise that the success of our business depends on the quality of our managers and staff. It is Livin's policy that training, career development and promotion opportunities should be available to all employees.

We are committed to equal opportunities and, in particular, we support the employment of disabled people as defined under the Equality Act (2010), both in recruitment and in retention of employees who become disabled whilst employed by the organisation.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. The organisation has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

Donations

The Association donated £1,532 (2019 £3,972) to charitable organisations.

No political donations were made.

Value for Money

Livin's Value for Money strategy

Livin is committed to embedding Value for Money throughout its governance processes, its business planning and performance management frameworks, and through its service delivery culture. The Value for Money strategy is designed to support Livin's business strategy, Plan A, which highlights "driving innovation, efficiency and productivity" as priorities.

The overall vision of the Value for Money strategy is:

"to drive the achievement of Livin's strategic and charitable objectives by ensuring that Livin's approach to the management of resources is strategic and comprehensive, and considered and embedded at both strategic and operational levels".

Our approach to Value for Money

The Regulatory Standards require registered providers to review and understand their performance against the Value for Money technical metrics set by the Regulator, as well as their own Value for Money targets.

Targets are set annually by Livin's Board based on the approved budget for the year, ensuring they include the strategic objectives contained within Plan A. To ensure that the Board considers the effect of its decisions on the technical metrics established by the Regulator, it is provided with a three year forecast of the technical metrics when setting the annual budget. This forecast also includes Livin's historical performance for each metric and a comparison against the sector as a whole (all registered providers in England with over 1,000 properties) divided into quartiles.

In our analysis below we also consider performance against our North East Peer Group as defined by the Regulator in their Global Accounts 2019.

Measuring Value for Money – Livin's own performance targets

Livin's performance framework is used to measure Value for Money and is monitored and reported to Board on a quarterly basis. Challenging targets are approved each year with key strategic objectives reported on separately so performance against Plan A can be clearly seen. Our performance against key indicators are set out in the table below:

Performance Measure	Target	Performance
Delivering a brilliant customer experience		
Overall satisfaction with customer experience	91%	92%
Net promoter score	50	56
Percentage of complainants satisfied with the way their complaint was handled	80%	97%
Percentage of tenants satisfied their views are being listened to and acted upon	87%	100%
Supporting sustainable tenancies		
Average re-let time (calendar days) standard properties (excluding major works)	30 days	26 days
Turnover of tenancies as a percentage of overall stock	9%	9%
Total number of tenants securing employment	150	198
Providing quality homes		
Average time taken to complete repairs (calendar days)	12 days	11 days
Percentage of tenant satisfaction with repairs	91%	90%
Percentage of tenants satisfied with their planned works	95%	91%
Number of properties achieving SAP band C	5,000	5,056
% properties with a valid landlord gas safety record	100%	99.92%
Enabling strong communities		
Ratio of social value achieved to community investment, health and wellbeing interventions	£1 : £39	£1 : £206
Building and acquiring homes		
Number of homes developed and acquired (excluding ESPs)	112	109
Percentage of homes secured against business plan targets over a three year period	85%	119%
Enabling employees to flourish		
Capacity score (%)	57%	73%
Employee satisfaction (%)	64%	77%
Maintaining strong finances and governance		
EBITDA MRI (as a % of turnover)	22.95%	26.2%
Average VfM Score	2.5	1.6
Governance rating	G1	G1
Total rent arrears as a percentage of the rent due (excluding voids) (BPBS)	3.1%	2.9%
Accuracy of interest cover forecasts	90%	80%

During the period performance was strong with only two high level indicators not meeting target. Interest cover forecast (based on loan covenant definition) which is used to measure the accuracy of forecasting was below target due to the outperformance of the EBITDA MRI Interest cover (forecast 2.49 times against actual of 3.13), a result of prudent forecasting. This was a new measure adopted by Livin and sets a baseline for future forecasting.

In addition, the number of homes with a valid landlord gas safety certificate did not meet the 100% target. At year end seven homes did not have a certificate, all of which were due to access issues. Some customers were shielding as a result of Covid-19 and others were being pursued through the Courts to ensure access could be gained.

Three measures were below target but within tolerance (amber). Percentage of tenants satisfied with repairs was 1.5% below target. This was a result of a higher number of dissatisfied surveys in Quarter 1. Improved communication and follow-on works appointments in subsequent quarters improved satisfaction reflecting the service improvements made.

Tenant satisfaction with planned works was also within tolerance. A reduced number of surveys returned in Quarter 1, due to digitalising the surveys, produced a dis-proportionate fluctuation in performance ratings. Improvements were made during the year increasing the number of returned surveys. This resulted in improved satisfaction levels in the final two quarters of the year.

The number of homes developed and acquired fell three homes short of target due to a delay on site relating to a water mains diversion issue. These three homes completed after the year end.

Value for Money performance – Regulators metrics

In addition to the above performance measures used to track progress against strategic objectives, Livin also uses the Regulator's VfM metrics to measure performance, setting targets based on the Board approved business plan.

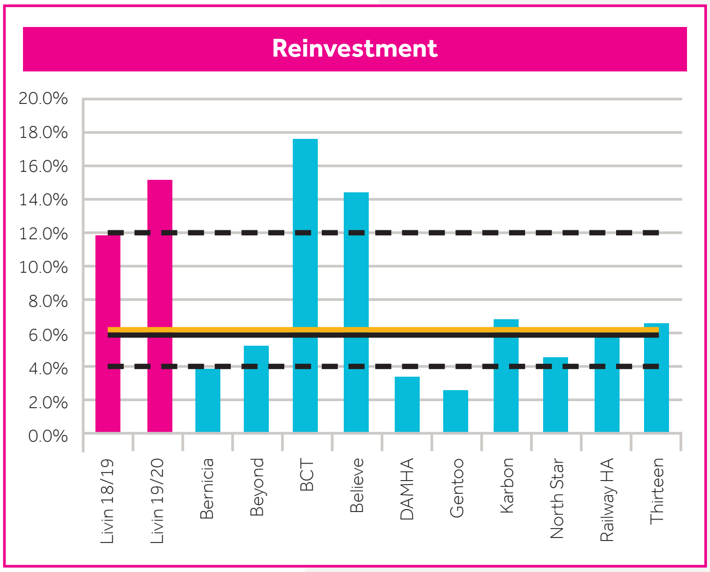
Value for Money metrics		Target	Performance
1	Reinvestment %	18%	15%
2a	New supply delivered % (social housing units)	1.5%	1.47%
2b	New supply delivered % (non- social housing units)	0%	0%
3	Gearing %	67.7%	61.5%
4	EBITDA MRI interest cover %	224.3%	299.7%
5	Headline social housing cost per unit	£3,031	£2,951
6a	Operating margin % (social housing lettings only)	18.6%	20.3%
6b	Operating margin % (overall)	22.7%	22.8%
7	Return on capital employed %	5.5%	5.8%

Reinvestment failed to meet the target due to planning permission and local authority land transfer delays at a regeneration scheme at The Courts, Shildon. Works which had been initially expected to start in 2019/20 will now start in late 2020, delayed further by Covid-19, with the project remaining a key strategic objective for Livin.

New supply delivered performance was amber (under target but within tolerance) due to the water mains diversion issue mentioned above that delayed the completion of three homes.

Value for Money performance – peer group comparison

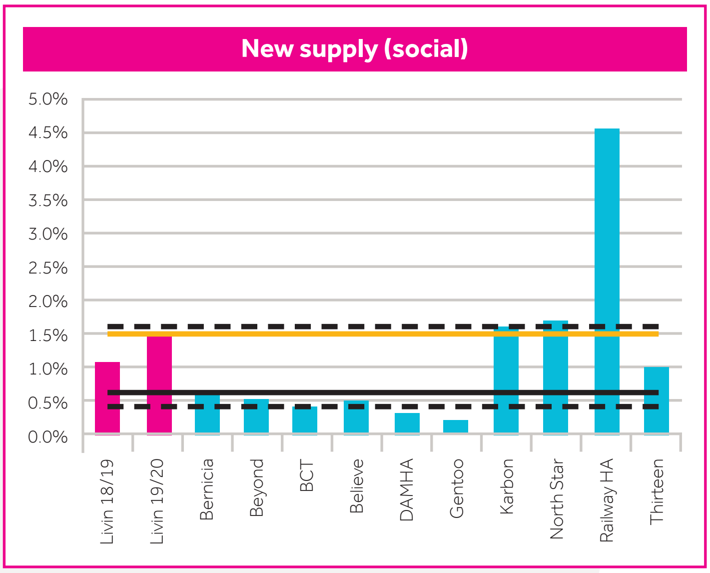
The tables below compare Livin's performance in 2019/20 against the North East Peer Group as defined in the Regulator's Global Accounts 2019 (latest set available at the time of preparing this report). The dashed black lines on each graph show the upper and lower quartiles for the peer group with the solid black line being the peer group median. The solid orange line is the sector median as per the Regulator's Global Accounts 2019.



Reinvestment

Livin's performance was top quartile in comparison to both our regional peer group and the sector as a whole. During the year, we significantly increased spend on new development and existing assets from £15.2m in 2018/19 to £21.5m in 2019/20. The majority of this increase relating to new social housing properties, with 125 additions to our housing stock made during the year.

Our future plans include an ambitious development programme and a regeneration scheme at The Courts, Shildon, which is now expected to start in late 2020 following delays due to Covid-19, local authority land transfer delays and planning related issues.



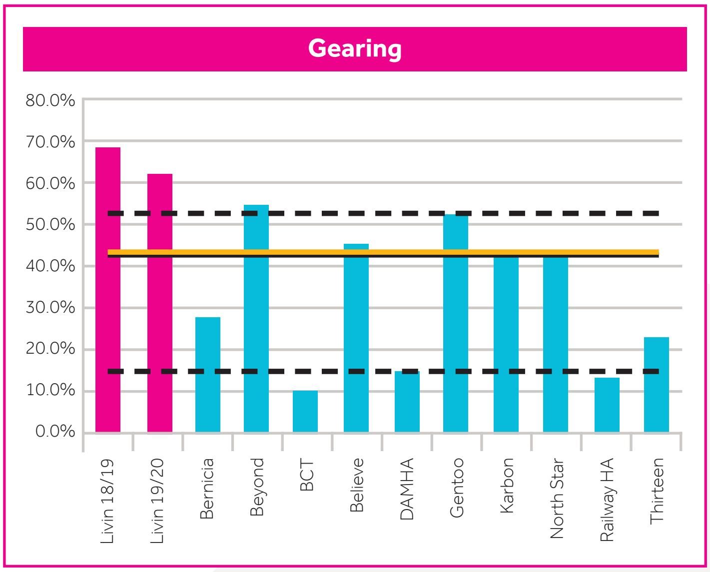
New supply delivered (social housing)

New supply delivered (social housing) was another area of improved performance placing Livin firmly in the upper median quartile when compared to our peer group and in line with median performance of the sector as a whole. We continued to build a number of bungalows in Dean Bank, Ferryhill and Newton Aycliffe, areas of high demand for this property type which are not often built by traditional developers. Our additions during the year also included 16 low cost home ownership properties with 11 shared ownership and five rent to buy properties being built.

In July 2019 Livin won the LABC regional Building Excellence Awards for the second consecutive year. The award was for our development at The Woodlands, Spennymoor.

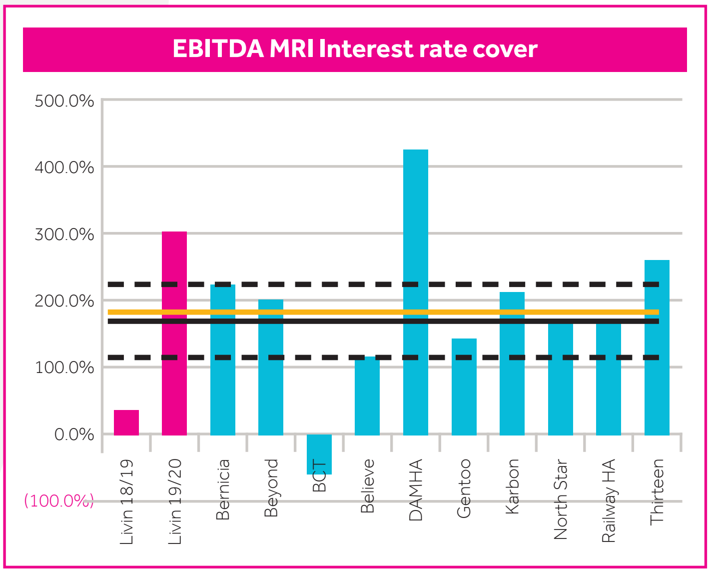
We look to build on our past success with an ambitious development programme which will deliver over 1,200 homes in the next 10 years.

New supply delivered (non-social housing) is an area where only three of the peer group delivered properties. Livin's Plan A focuses on the supply of new social housing properties only and therefore, like most of the sector, performs low on this metric. However, it is considered that focusing on social housing delivers the best value for money for Livin and our communities.



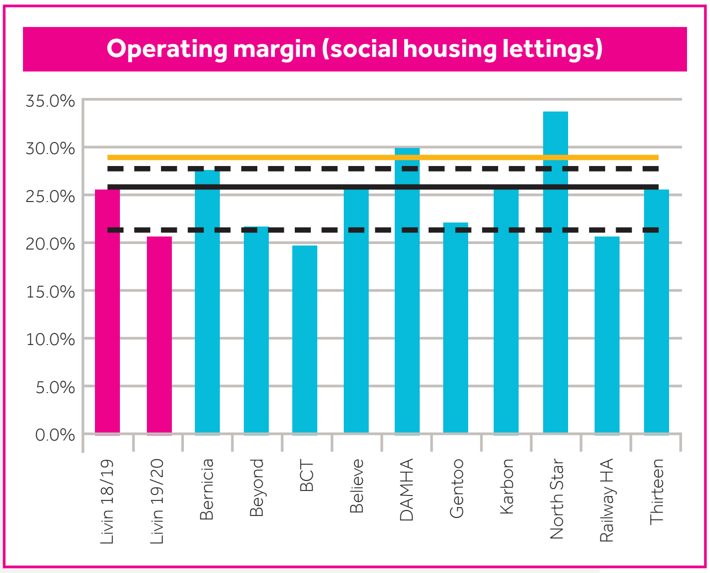
Gearing

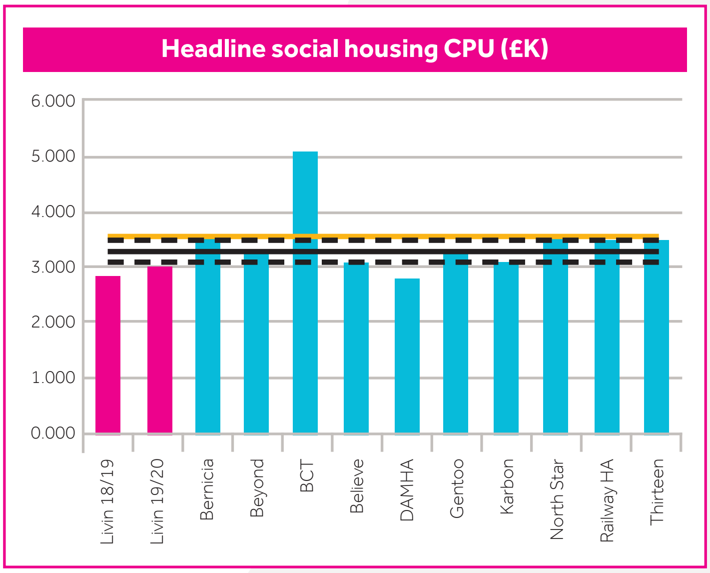
Gearing was top quartile when comparing to both our peer group and the sector as a whole. Gearing increased following refinancing in March 2019 unlocking debt capacity. A major focus of Plan A is to build and acquire homes, and Livin now has the financial capacity to do this on a larger scale. Our ambitious development plans for the next 10 years, funded by borrowings, should maintain our performance in this area. Gearing is not a limiting factor to our development capacity and would not restrict our future development plans.



EBITDA MRI Interest rate cover

EBITDA MRI Interest cover, when compared to our peer group and the sector as a whole, has seen performance improve from bottom quartile to top quartile. The refinancing of legacy loans in March 2019 resulted in new debt being secured at much lower interest rates. Interest costs have fallen from £5.05m (excluding breakage costs) to £3.1m despite an increase in borrowings of over 40%. This additional financial capacity clearly demonstrating that Value for Money was delivered through refinancing.



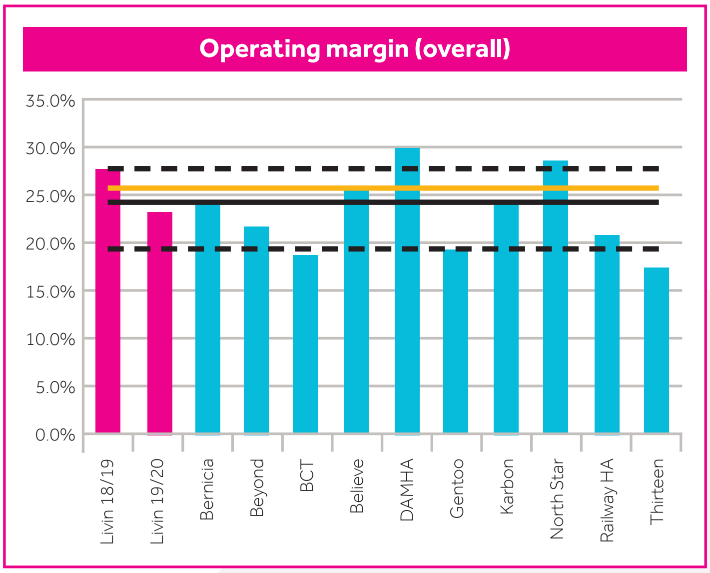


Headline social housing CPU (£)

Headline social housing Cost per Unit remains top quartile compared to both our regional peer group and the sector as a whole. Several costs such as staff costs and overheads have seen inflationary pressures, however, the most significant increase in social housing costs has been in repairs and maintenance. This was a direct result of additional repairs to void properties, to enhance demand, combined with increased costs incurred to reduce repair response times. These actions were taken following a fall in customer satisfaction to ensure that our service was aligned to our strategic objective of providing quality homes.

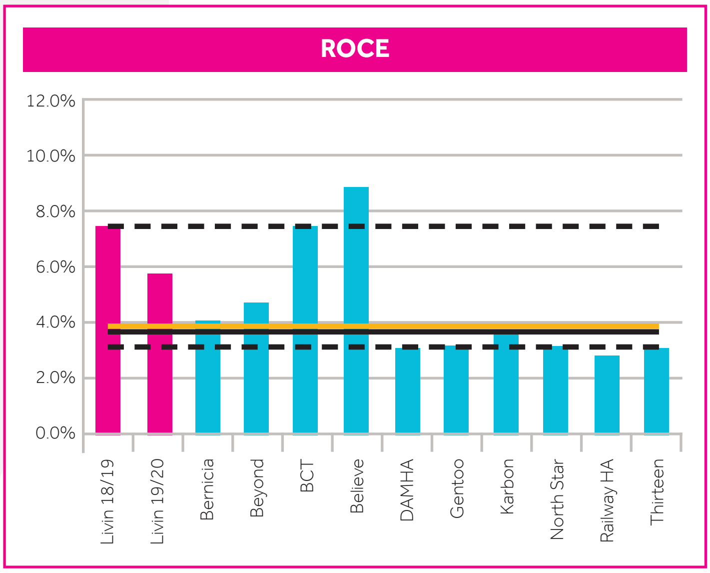
Operating margin social housing lettings

Operating margin social housing lettings is an area where Livin's performance, at 20.3%, is lower quartile compared to both our regional peer group and the sector as a whole. Increased repairs costs combined with increasing depreciation charges (a result of continued component replacement works and new housing additions) has caused a fall in performance compared to the previous year and to other local providers. Livin operates in an area where the average weekly rent charge is relatively low compared to the majority of our peer group. Despite our top quartile Cost per Unit performance, the combination of lower than average rents and an increasing depreciation charge means our social housing lettings margin is relatively low. This is expected to continue in the short term as stated in operating margin (overall) opposite.



Operating margin overall

Our performance was lower median quartile compared to both the North East Peer Group and the sector as a whole. Our performance overall was 22.8% assisted by our strong margins on commercial lets and other turnover. Our future performance is expected to fall over the next three years to between 17.5% to 19.1%. This is partly due to our prudent business plan assumptions. After this period operating margin is expected to improve as the impact of letting new development properties improves our margin.



Return on capital employed (ROCE) %

Our performance has fallen reflecting the reduction in our overall operating margin. However, we remain above median compared to our peer group and in the top quartile when compared to the Global Accounts 2019. ROCE is expected to fall in future years, a result of increasing our capital employed through investment in new and existing homes.

Overall performance

The Board aims to achieve a balanced performance across the Regulator of Social Housing's Value for Money technical metrics, aiming for Livin's blended average performance to be above median across the technical metrics as a whole.

Livin's methodology for this is to apply a score of 1 for best quartile performance and 4 for worst quartile performance. Using this methodology, historical, current and future performance is shown in the table below (when compared to the sector as a whole based upon the 2019 Global Accounts) along with Livin's actual and forecast performance:

Metric	2018/19		2019/20		2020/21 forecast		2021/22 forecast		2022/23 forecast	
	Performance	Quartile	Performance	Quartile	Performance	Quartile	Performance	Quartile	Performance	Quartile
Operating Margin (overall)	27.6%	3	22.8%	3	17.5%	4	19.1%	4	19.0%	4
EBITDA MRI Interest Cover (%)	29.5%	4	299.7%	1	182%	3	172%	3	172%	3
New supply delivered – social housing (%)	1.03%	3	1.47%	3	1.7%	2	1.5%	2	1.7%	2
Gearing (%)	67.6%	1	61.5%	1	63.6%	1	62.9%	1	62.3%	1
Reinvestment %	11.8%	1	15%	1	16.3%	1	11.9%	1	14.2%	1
Return on capital employed	7.6%	1	5.8%	1	3.9%	2	4.2%	2	4.0%	2
Headline social housing cost per unit (£)	£2,848	1	£2,951	1	£3,334	2	£3,481	2	£3,593	2
Average for all metrics		2.0		1.6		2.1		2.1		2.1

An organisation which demonstrates median performance in all measures would show an average performance of 2.5. Livin's overall performance in all years under review is better than this average.

Using this methodology for measuring performance against the North East Peer Group, Livin's performance was in the top quartile.

Measurable plans to address underperformance

Livin's Board has considered those areas where performance against the Value for Money technical metrics, defined by the regulator of social housing, are below median when compared with the sector as a whole. In 2019/20 there are two metrics where performance is below the sector median; these are operating margin (overall) and new supply delivered – social housing.

Operating margin (overall) is forecast to remain in the lower quartile, as a result of improving the quality of our repairs service, particularly in relation to void property repairs and reducing the time customers wait for non-urgent repairs to be completed. We are also looking at establishing other services that will sustain the tenancies of vulnerable tenants. We believe that this will provide Value for Money as they complement our key strategic objectives of delivering a brilliant customer experience, providing quality homes and supporting sustainable tenancies which in turn leads to the long-term sustainability of tenancies and future success.

Plans are in place to improve performance against the metric new supply delivered – social housing to upper median quartile in 2020/21. Our latest business plan has a strong focus on building and acquiring homes with 142 homes to be delivered next year, an increase of 17 compared to 2019/20, and plans to increase development further to 150 homes per annum.

We are making good progress in establishing strategic development partners and have already secured 74% of our next three years development programme's target.

Conclusions

Value for Money is embedded in Livin's culture and governance structure; Livin appreciates that delivering effective and efficient services benefits itself, its customers and their communities.

Performance in 2019/20 shows a continued commitment to Value for Money. In comparison to our peer group and the sector as a whole we are able to demonstrate strong performance against the technical metrics defined by the regulator and have assessed our long-term business plans and forecasts in the light of these metrics.

We have identified a small number of areas where there is underperformance in comparison to other providers, defined as performance which is below median against the sector as a whole, and have detailed the measurable plans which are in place to address these areas where appropriate.

The Board is satisfied that Livin's financial plans provide a balanced performance across its adopted Value for Money metrics and is currently achieving above median performance across the technical metrics as a whole.

Governance – Regulatory and Other Information

Regulatory judgement and financial viability review

The Regulator of Social Housing conducted a Stability Check in October 2019 and concluded in the following regulatory judgements on Livin:

Viable (V1)

The provider meets the requirements on viability set out in the Governance and Financial Viability standard and has the capacity to mitigate its exposures effectively.

Properly Governed (G1)

The provider meets the requirements on governance set out in the Governance and Financial Viability standard.

Risks and uncertainties

In accordance with the Regulator of Social Housing's Governance and Financial Viability Standard, the Board of Livin retains ultimate responsibility for ensuring that an effective risk management framework is in place. Structured reporting processes ensure that the Board receives a quarterly update on key risks facing the organisation, takes risk management considerations into account when making key decisions, and reviews the effectiveness of the risk management framework on an annual basis.

Our risk appetite

Risk appetite is defined as the level of risk the organisation is prepared to accept in the pursuit of its strategic objectives.

Livin is a not-for-profit organisation with the principal purpose of providing housing and services for people in necessitous circumstances. The Board, as custodians of Livin's social housing assets, acknowledge the need to maintain a long-term perspective when managing risk and not to put short-term gain ahead of the long-term viability of the business.

The Board acknowledges that different risk appetites can exist across a range of key areas. Some types of risk pose a threat to the long-term viability of its business and the Board will seek to reduce the risk score of identified risks in these areas. Our strategic risks have been developed to complement our risk appetite and ensure that business decisions are made that accept a level of risk agreed by Board.

Strategic risk register

The Audit and Risk Committee take an active role in scrutinising the organisation's strategic risk register, considering the adequacy of the controls in place to manage these risks and the outcomes.

The key strategic risks considered by Livin's Audit and Risk Committee on 29 April 2020 are set out in the table opposite.

Key risk	Key controls in place, and actions being undertaken
Covid 19: Appropriate measures not taken to safeguard staff and tenants during the Covid-19 outbreak	**We have introduced additional social distancing and hygiene measures, including:** • Introduced home working • Temporarily reduced the range of works undertaken in tenant's homes • Additional health and safety procedures implemented
Covid-19: Effects of Covid-19 outbreak on business finances and operations in medium term are not managed and mitigated	**We have introduced additional management structures to enable business recovery, including:** • Business recovery planning • Decision logs • Additional performance monitoring • Additional Board reporting
Failure to deliver a brilliant customer experience	**We seek our tenants' views, and look to support them, through** • Customer experience strategy • Customer voice strategy • Review of complaints received **We monitor our performance through:** • Customer satisfaction surveys • Transactional analysis of service provided
Inconsistent use of data to inform business decisions	**We are working to improve our data quality through:** • Driving improved data integrity • Increased use of systems which drive compliance with data quality • Documenting data usage in accordance with data protection requirements **We monitor this through:** • Data quality audits • Internal audit reviews
Traditional and reactive tenancy management offer	**We develop our service offer ensuring we:** • Monitor and respond to demand, satisfaction and turnover data • Provide support to tenants in need • Align our services with the Regulator of Social Housing's consumer standards

Key risk	Key controls in place, and actions being undertaken
Stagnant customer base	**We seek to mitigate this risk through:** • Monitor and respond to void, re-let and satisfaction data • Understanding our target market • Maintaining our homes to an appropriate standard
Failure of major third party contractor (repairs and maintenance)	**Key controls include:** • Ongoing financial monitoring and liaison • Retained procurement advisors • Business continuity plans in place • Insurance cover
Worsening systematically failing communities	**We seek to identify appropriate resources to support communities through:** • Building a range of partnerships which maximise funding opportunities • Developing community plans built on sound business intelligence • Consultation with communities to ensure we target resources where need is greatest • Monitoring the social value we generate
Building and acquiring homes targets are not aligned to the demand for social housing	**We seek to understand the markets we operate in through:** • Option appraisal report on site demographics and housing market drivers added to all development schemes using third party housing intelligence • Close links between the development and housing teams to understand local demand and needs **We monitor our performance through:** • Robust financial appraisal on new schemes • Board approval of development parameters • Regular Board/Committee reporting on progress of key developments
Failure of a contractor causes disruption to the delivery or costs of the development programme	**We seek to mitigate this risk through:** • Thorough financial checks on prospective contractors • Detailed monitoring of financial viability of existing contractors • Specialist procurement advice and support where appropriate

Key risk	Key controls in place, and actions being undertaken
Costs rise at a greater rate, relative to income, than anticipated	**Key controls include:** • Robust budgetary and cash flow management processes • Stress testing undertaken on all areas of the business plan to ensure business resilience, including planned mitigations • Robust scrutiny of quarterly management accounts by Finance and Development Committee as well as by the Board • Governance framework enabling an effective decision making process • Long term financing arrangements in place
Value for Money not delivered or demonstrated	**We continue to embed VfM across the organisation, through:** • Value for Money objectives within the business strategy and Performance Management Framework • Embedding VfM considerations in our budgeting, procurement and performance management processes
Corporate governance processes do not meet external expectations or internal needs	**Our current control environment includes:** • Annual review of compliance against the Regulator of Social Housing's regulatory standards, NHF Code of Governance and NHF Code of Conduct • Annual probity report to Board • Structured Board reporting, including robust risk management processes • Annual statement of internal control considered and approved by the Board • Structured programme of internal and external audit, which includes internal audit reviews of core governance processes

Key risk	Key controls in place, and actions being undertaken
Landlord health and safety obligations are not effectively managed	**We monitor our compliance with legislation and best practice through:** • Regular inspections of our properties, including gas safety checks, electrical inspections and monitoring of asbestos materials • Regular inspections of communal areas and flat blocks, including fire safety assessments, undertaken by NEBOSH qualified individuals • Regular re-inspections of a sample of safety checks by third parties, to ensure that the quality of our internal checks remains high **The board assures itself of compliance through:** • Regular compliance reports to both the Board and the Audit and Risk Committee • Internal audit reviews and other external reviews of Health and Safety processes
Financial implications of welfare reform are worse than anticipated	**We closely monitor the impact of Universal Credit on our tenants, including:** • Monitoring and analysing trends in rent arrears to enable us to target our support appropriately • Seeking feedback from tenants on the effectiveness of support provided • Working closely with Durham County Council and other local bodies to understand and address emerging risks and support needs **Our support offer to tenants includes:** • Specialist staff able to provide welfare benefits advice • Pre-tenancy support to help prospective tenants understand whether they can afford a tenancy • Support to access grants and services

Credit risk

The Association's principal credit risk relates to tenant arrears. This risk is managed by providing support to eligible tenants with their application for Housing Benefit or Universal Credit and by closely monitoring the arrears of self-funding tenants. The Association borrows and lends only in sterling and so is not exposed to foreign currency exchange rate risk.

Going concern

The Association's business activities, its current financial position and factors likely to affect its future development are set out within this Strategic Report. The Association has in place long-term debt facilities (including £27 million of undrawn facilities at 31 March 2020), which provide adequate resources to finance committed property acquisitions and development programmes, along with the Association's day to day operations. The Association's ability to service these debt facilities and comply with lenders' covenants is monitored through cashflow forecasts, quarterly budget and golden rules reports to the Finance and Development Committee and Board, and the long-term business plan. Recent reports confirmed that the Association was in compliance with its loan covenants at the Statement of Financial Position date and the Board expects to remain compliant in the foreseeable future.

Therefore, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being a period of 12 months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Internal controls assurance

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

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable assurance against material misstatement or loss.

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

Key elements of the control framework include:

- Adoption of and compliance with the NHF Code of Governance: Promoting Excellence in Governance (2015 Edition).
- Forward planning of key meeting dates and reporting requirements which are reviewed annually.
- Board approved terms of reference and delegated authorities for the Audit and Risk, Housing and Assets, Finance and Development and Human Resources and Remuneration Committees.
- Board approved detailed financial regulations and a scheme of delegation for the chief executive and executive directors.
- Clearly defined management responsibilities for the identification, assessment, ownership and management, and evaluation and control of significant risks.
- Robust strategic and business planning processes, with detailed financial budgets and forecasts.
- Formal recruitment, retention, training and development policies for all staff.
- Business continuity arrangements including planning and testing.
- Established authorisation and appraisal procedures for significant new initiatives and commitments.
- A strategic approach to treasury management which is subject to external review each year.
- Regular reporting to the appropriate committee on key business objectives, targets and outcomes.
- Board approved whistle-blowing policy.
- Audit and Risk Committee approved anti-fraud and corruption policies, covering prevention, detection and reporting, together with recoverability of assets.
- Regular monitoring of loan covenants and requirements for new loan facilities.

A fraud register is maintained and any identified frauds are reported to the Audit and Risk Committee on a quarterly basis.

The Board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the Audit and Risk Committee to regularly review the effectiveness of the system of internal control. The Board receives Audit and Risk Committee meeting minutes and where applicable would initiate follow up actions. The Audit and Risk Committee has received the chief executive's annual review of the effectiveness of the system of internal control for the Association, and the annual report of the internal auditor, and has reported its findings to the Board.

Livin's internal audit service was delivered by TIAA Limited and internal audit arrangements continued to work well. The recommendations made on all reports have been reviewed and action plans have been established to ensure that they are all implemented. Internal audit work not only focuses on reviewing controls and risks but also on adding value and making best practice recommendations.

National Housing Federation (NHF) Code of Governance

Livin has adopted the National Housing Federation's Code of Governance: Promoting Excellence in Governance (2015 Edition) and considers compliance against this Code annually. This fulfils the requirement of the Regulator of Social Housing's Governance and Financial Viability Standard to "adopt and comply with an appropriate code of governance". In addition, Livin has adopted the National Housing Federation's Code of Conduct 2012 and again considers compliance against this Code on an annual basis.

The Board considers that it is compliant with these Codes at the date of signature of these financial statements.

Livin continues to remunerate Board members in accordance with its constitutional powers and probity arrangements, and periodically obtains independent advice on our remuneration levels, to ensure that these appropriately reflect the responsibilities of the Board. Remuneration levels were independently reviewed in July 2019.

Appraisal of Board members forms a part of our regular governance processes and is independently facilitated. This assists in ensuring an appropriate development plan for members and also in ensuring that the business has an appropriately skilled Board to manage the business it conducts.

Compliance with the Regulator of Social Housing Standard: Governance and Financial Viability

The Board considers the adequacy of its governance arrangements on an ongoing basis, and specifically considered its compliance with the governance and financial viability standard at its meeting on 16 July 2020 and again at the date of signature of the financial statements. The Board has concluded that the organisation complies with the standard.

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

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

Co-operative and Community Benefit Societies legislation requires the board to prepare financial statements for each financial year. Under that law the Board members have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102. Under Co-operative and Community Benefit Societies legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association for that period.

In preparing those financial statements the Board is required to:

- Select suitable accounting policies and 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 financial statements on a going concern basis unless it is inappropriate to presume that the Association 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 the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Annual general meeting

The annual general meeting will be held on 17 September 2020.

Disclosure of information to auditors

At the date of making this report each of the Association's Board members, as set out on page 4, confirm the following:

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

External auditors

In September 2017, Beever and Struthers were appointed as auditors on a three year contract, with an optional two year extension. This two year extension was invoked in April 2020.

Statement of compliance

In preparing this strategic report and Board report, the Board has followed the principles set out in the SORP 2018.

The strategic and Board report was approved by the Board on 17 September 2020 and signed on its behalf by:

Alan Fletcher
Chair of the Board

Independent Auditor's Report to the Members of Livin Housing Limited

Opinion

We have audited the financial statements of Livin Housing Limited "the association" for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2020 and of its 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 Cooperative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the Statement of the Responsibilities of the Board set out on page 38, 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 determine 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 are responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the association's members, as a body, in accordance with section 87 of the Cooperative and Community Benefit Societies Act 2014. 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.

Beever and Struthers

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

Date: 25 September 2020

Livin Housing Limited
Statement of Comprehensive Income
For the year ended 31 March 2020

	Note	2020	2019
		£'000	£'000
Turnover	3	**35,522**	**34,545**
Operating costs	3	(27,429)	(25,008)
Operating surplus (before housing sales)		**8,093**	**9,537**
Gain on disposal of property, plant and equipment	6	1,154	1,152
Operating surplus		**9,247**	**10,689**
Interest receivable and other income	7	350	393
Interest payable and similar charges	8	(3,103)	(5,052)
Other Finance Costs – refinancing costs	8	-	(29,316)
Surplus/(Deficit) on ordinary activities before taxation		**6,494**	**(23,286)**
Tax on ordinary activities		-	-
Surplus/(Deficit) for the year		**6,494**	**(23,286)**
Actuarial (loss)/gain in respect of pension schemes	9	(180)	1,560
Unrealised (loss)/gain on the revaluation of investment properties	14	(374)	216
Total comprehensive income for the financial year		**5,940**	**(21,510)**

The accompanying notes form part of these financial statements.

All activities of the Association are classed as continuing.

Historical cost surpluses and deficits were identical to those shown in the Statement of Comprehensive Income account.

The financial statements were approved and authorised for issue by the Board of Directors on 17 September 2020 and were signed on its behalf by:

Alan Fletcher
Chair

Kevin Thompson
Vice chair

Sean Brodie
Secretary

Statement of Changes in Reserves

For the year ended 31 March 2020

	Income and expenditure reserve	Revaluation reserve	Total
	£'000	£'000	£'000
Balance as at 1 April 2018	48,912	6,654	55,566
Transfer between reserves	85	(85)	-
Actuarial gain on pension scheme	1,560	-	1,560
Surplus/(Deficit) for the year	(23,286)	216	(23,070)
Balance as at 31 March 2019	**27,271**	**6,785**	**34,056**
Transfer between reserves	44	(44)	-
Actuarial loss on pension scheme	(180)	-	(180)
Surplus/(Deficit) for the year	6,494	(374)	6,120
Balance as at 31 March 2020	**33,629**	**6,367**	**39,996**

The accompanying notes form part of these financial statements.

Livin Housing Limited
Statement of Financial Position
For the year ended 31 March 2020

	Note	2020	2019
		£'000	£'000
Tangible fixed assets			
Housing properties	11	143,868	129,113
Other tangible fixed assets	12	3,716	3,809
Investments	13	4	4
Investment Properties	14	7,405	7,825
		154,993	140,751
Current assets			
Stock	15	148	564
Debtors	16	3,541	2,612
Cash at bank and in hand	17	3,602	2,673
		7,291	5,849
Creditors: Amounts falling due within one year	18	(3,927)	(5,520)
Net current assets		3,364	329
Total assets less current liabilities		**158,357**	**141,080**
Creditors:			
Amounts falling due after more than one year	21	110,271	99,994
Provisions for liabilities			
Defined benefit pension liability	9	8,090	7,030
		118,361	107,024
Capital and reserves			
Income and expenditure reserve		33,629	27,271
Revaluation reserve		6,367	6,785
Total Reserves		39,996	34,056
		158,357	**141,080**

The financial statements were approved and authorised for issue by the Board of Directors on 17 September 2020 and were signed on its behalf by:

Alan Fletcher
Chair

Kevin Thompson
Vice chair

Sean Brodie
Secretary

	Note	2020	2019
		£'000	£'000
Net cash generated from operating activities	26	13,030	16,724
Cash flow from investing activities			
Purchase and refurbishment of tangible fixed assets		(21,591)	(15,061)
Proceeds from sale of tangible fixed assets		1,941	2,032
Grants received		8,501	1,448
Interest received		18	20
		(11,131)	(11,561)
Cash flow from financing activities			
Interest paid		(2,970)	(36,513)
New secured loans		2,000	91,000
Repayments of borrowings		-	(65,400)
		(970)	(10,913)
Net change in cash and cash equivalents		929	(5,750)
Cash and cash equivalents at beginning of the year		2,673	8,423
Cash and cash equivalents at end of the year		**3,602**	**2,673**

The accompanying notes form part of these financial statements.

1 Legal status

The Association is registered in England under the Co-operative and Community Benefit Societies Act 2014 and is a registered provider of social housing. The registered office is Farrell House, Arlington Way, DurhamGate, Spennymoor, County Durham, DL16 6NL.

Livin owns 100% of the ordinary share capital (£1) of Livin Developments Limited (Registered Company No: 10474352). This subsidiary did not trade during the year and was dormant at 31 March 2020.

2 Accounting policies

Basis of accounting

The financial statements are prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

The financial statements are presented in Sterling (£) and are rounded to the nearest thousand (£000).

The Association is a Public Benefit Entity (PBE) and has applied the provisions for FRS102 specifically applicable to PBEs.

Livin holds a share in a joint venture, Spirit Regeneration and Development Co LLP. This interest has been disclosed as an investment in these accounts.

Going concern

The Association's business activities, its current financial position and factors likely to affect its future development are set out within the strategic report. Livin has long term debt facilities in place which provide adequate financial resources for reinvestment and development programmes along with financial cover for day to day operations. Livin also has a 30 year business plan which shows it is able to service these debt facilities whilst continuing to comply with lenders' covenants. The Board has considered the impact of Covid-19 in its assessment of going concern and has concluded that there is no material uncertainty around going concern for the Association.

On this basis, the board has a reasonable expectation that there are adequate resources to continue operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates.

Significant management judgements include:

Financial instruments

Livin Housing Limited has put in place facility agreements with a portfolio of lenders, for the purposes of funding its stock improvement and new development programmes.

The Association has accounted for these loan instruments on the amortised cost basis.

Impairment

Livin Housing Limited considers whether indicators of impairment exist in relation to tangible assets. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value less costs to sell or its value in use.

Covid-19 triggered an impairment review for 19/20, however the review did not identify any material impairment.

Estimation uncertainty

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

Useful life of depreciable assets

Management reviews its estimate of useful economic lives of depreciable assets at each reporting date. Uncertainties in these estimates may relate to changes in technology and decent homes standards which may impact on the depreciation rate used.

LGPS - Defined Benefit Obligation (DBO)

The actuaries' estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate, property values and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in note 9).

Fair value measurement

Livin carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. There has been a reduction of £420,000 in fair value during the year.

Management uses valuation techniques to determine the fair value of investment properties (where active market valuations are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the asset. However, there is still a high level of uncertainty in how Covid -19 will impact future market valuations. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices.

Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment.

Turnover

Turnover represents rental income receivable for the period (i.e. rent due (rent debit) less rent loss due to voids), service charges receivable, any revenue grants receivable, amortised capital grant, revenue grant received from Homes England and local authorities, income from shared ownership first tranche sales and other properties developed for outright sale and income from any other goods or services included at invoiced value (excluding VAT where recoverable) and commission on water rates collection.

Revenue recognition

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

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

Service charges

Service charge income and costs are recognised on an accruals basis. Livin operates variable service charges on a scheme by scheme basis in full consultation with residents. The charges include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Social Housing Grant

Social Housing Grant (SHG) includes grant receivable from the Homes England, local authorities and other government organisations.

Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land), under the accruals model.

SHG due from the government organisations or received in advance is included as a current asset or liability.

SHG received in respect of revenue expenditure is recognised as turnover in the same period as the expenditure to which it relates, once reasonable assurance has been given that Livin will comply with the conditions and that the funds will be received.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in the Statement of Comprehensive Income.

SHG is subordinated to the repayment of loans by agreement with the RSH. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the Statement of Financial Position in creditors.

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

Disposal Proceeds Fund (DPF)

Historic receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal were credited to the DPF up until the year ended 31 March 2017 when due to de-regulatory measures there was no longer requirements to show new proceeds from relevant disposals in the DPF. This creditor is carried forward until it is used to fund the acquisition of new social housing. In accordance with paragraph 2 of The Accounting Direction for Private Registered Providers of Social Housing 2019, the DPF will operate until 6 April 2020 (unless an individual Housing Association meets the statutory requirements for bringing it to an end earlier).

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Website development costs

The Association has developed an app and website which is used to promote its activities and as a management tool for monitoring and evaluating responsive repairs. Planning, design and content development costs are charged as operating costs as incurred. Ongoing costs of maintaining and operating the app and website are also charged as operating costs as incurred.

Housing properties and other fixed assets

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs, incidental costs of acquisition and directly attributable development administration costs. Cost also includes expenditure on the replacement of key building components incurred as part of the planned improvement programme.

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

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

Where expenditure is incurred on an asset which does not meet the definition of capital expenditure, such as general repairs to the housing stock, it will be charged to the Statement of Comprehensive Income in the year in which it is incurred.

Any single repair costing £1,000 or more will be separately assessed to determine whether capitalisation is appropriate.

The Association will not capitalise expenditure on assets such as land, equipment and computer software which costs less than the following de-minimus thresholds and it will be charged to the Statement of Comprehensive Income in the year in which it is incurred.

Asset

Land	£ 1,000
Office equipment and furniture	£10,000
Computer equipment and software	£ 5,000
Vehicles and plant	£10,000

Properties held on leases are amortised over the life of the lease or the estimated useful economic life, if shorter.

Assets under construction

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

No depreciation is charged during the period of construction.

Depreciation of tangible fixed assets

Depreciation charges reflect the write down of the net book value of fixed assets to their estimated residual value over their estimated useful lives, on a straight line basis. No depreciation is charged for land.

The following useful economic lives for identified components have been applied:

Fixed asset classification	Asset life
Existing structure	50 years
Kitchens	20 years
Bathrooms	30 years
Central heating	20 years
Roofing and external works	up to 50 years
Rewiring works	30 years
Doors and windows	40 years

Other fixed assets

Office equipment and furniture	5 years
Computer equipment	3 years
Offices	50 years

Impairment

Housing properties are assessed annually for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed the recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as operating expenditure. Where an asset is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

Leased assets

Rentals payable under operating leases will be charged on a straight line basis over the term of the lease.

Properties for sale

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

Provision for liabilities

Provisions are recognised when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that the Association will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at the present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in the Statement of Comprehensive Income in the period it arises.

A provision is recognised for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Fixed asset Investments

Investment properties consist of commercial properties and other properties not held for the social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in the Statement of Comprehensive Income.

Pensions

The Association participates in the Durham County Council Local Government Pension Scheme, which is a defined benefit final salary scheme. The assets of the scheme are invested and managed independently of the Association.

Pension costs are assessed in accordance with the advice of an independent qualified actuary. For the Durham County Council Local Government Pension Scheme, assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the Statement of Financial Position. A net surplus is recognised only to the extent it is recoverable by the Association.

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

Rental arrears

A provision for bad and doubtful debts is made on an estimation of those debts at the Statement of Financial Position date which are considered to be potentially irrecoverable.

Value Added Tax (VAT)

The Association is VAT registered, but the majority of its income (from rents) is classified as an exempt supply for VAT purposes. Payments that are subject to VAT (Input VAT) that cannot be re-claimed are, therefore, recorded inclusive of the irrecoverable VAT. The balance of VAT payable or recoverable at the year end is included as a current liability or asset respectively.

Development agreement

The Association has entered into agreements with Durham County Council (the Council) whereby the undertaking of catch up repairs and improvement works remained with the Council with that obligation subcontracted to the Association. The contract was for a fixed sum of £248.694m equal to the expected costs of the work. At transfer, the Association contracted with the Council to acquire the benefit of the Council's obligation to carry out the refurbishment works.

Right to Buy and Right to Acquire sales

The gains or losses on disposal of social housing properties under Right to Buy or Right to Acquire arrangements are calculated as being the difference between the proceeds of a sale of a property and the net book value of that property.

The gains or losses on disposal of Right to Buy or Right to Acquire social housing properties are recognised in the statement of comprehensive income at the date of legal completion after deducting the element of proceeds that is payable to the local authority under the Right to Buy sharing arrangement.

Financial instruments

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

Basic financial instruments are recognised at amortised historic cost.

Debtors

Short term debtors are measured at transaction price less any impairment.

Creditors

Short term creditors are measured at the transaction price.

Annual leave accrual

A liability is recognised to the extent of unused holiday pay entitlement which has accrued at the statement of financial position date and carried forward to future periods. this is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

Interest

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

Loan finance issue costs

These are amortised over the life of the related loan. Loans are stated in the statement of financial position at the amount of the net proceeds after issue, less capitalised issue costs of debt. where loans are redeemed during the year, any redemption penalty and any connected loan finance costs are recognised in the statement of comprehensive income account in the year in which the redemption took place.

Liquid resources

For the purposes of the cash flow statement, cash comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand. Liquid resources are current asset investments that are readily disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying values.

Taxation

The Association has charitable status and therefore is outside the scope of corporation tax on its charitable activities by virtue of Part 11 Corporation Tax Act 2010 and from capital gains tax by virtue of Section 256 Taxation of Chargeable Gains Act 1992.

Reserves

Livin establishes restricted reserves for specific purposes where their use is subject to external restrictions.

Revaluation reserve

The difference on transition between the fair value of investment properties and the historical cost carrying value is credited to the revaluation reserve.

3 Particulars of turnover, cost of sales, operating costs and operating surplus

	2020		
	Turnover	Operating costs	Operating surplus
	£ '000	£ '000	£ '000
Social housing lettings	33,082	(26,372)	6,710
Other social housing activities			
First tranche low cost home ownership sales	925	(761)	164
Garage lettings	656	(217)	439
ESF Project	10	(11)	(1)
Non-social housing activities			
Lettings	247	(68)	179
Other income	602	-	602
	35,522	**(27,429)**	**8,093**

	2019		
	Turnover	Operating costs	Operating surplus
	£ '000	£ '000	£ '000
Social housing lettings	32,824	(24,499)	8,325
Other social housing activities			
First tranche low cost home ownership sales	45	(34)	11
Garage lettings	647	(229)	418
Big lottery project	-	(40)	(40)
ESF Project	143	(143)	-
Non-social housing activities			
Lettings	236	(63)	173
Other income	650	-	650
	34,545	**(25,008)**	**9,537**

3 Particulars of income and expenditure from social housing lettings

	General needs housing	Housing for elderly	Low cost home ownership	2020 Total	2019 Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Rent receivable net of identifiable service charges	21,759	10,884	112	32,755	32,551
Service income	50	20	-	70	63
Net rental income	**21,809**	**10,904**	**112**	**32,825**	**32,614**
Other income (grant amortisation)	157	89	11	257	210
Turnover from social housing lettings	**21,966**	**10,993**	**123**	**33,082**	**32,824**
Management and support services	(6,459)	(3,466)	-	(9,925)	(9,882)
Service charge cost	(59)	(27)	-	(86)	(77)
Routine maintenance	(5,688)	(2,881)	-	(8,569)	(7,606)
Planned maintenance	(517)	(276)	-	(793)	(619)
Major repairs expenditure	(255)	(136)	-	(391)	(303)
Bad debts	(139)	(74)	-	(213)	(151)
Depreciation of housing properties	(3,820)	(2,067)	(50)	(5,937)	(5,293)
Impairment	(115)	-	-	(115)	(156)
Payment to Durham County Council (VAT sharing agreement)	(207)	(111)	-	(318)	(364)
Other costs	(16)	(9)	-	(25)	(48)
Operating costs on social housing lettings	**(17,275)**	**(9,047)**	**(50)**	**(26,372)**	**(24,499)**
Operating surplus on social housing lettings	**4,691**	**1,946**	**73**	**6,710**	**8,325**
Void losses	557	121	13	691	730

Included in 2019's Management and support service costs above is an additional pension charge of £820,000 in relation to the 'McCloud/Sergeant' judgement in the Court of Appeal (December 2018) (see note 9).

	2020	2019
	£ '000	£ '000
Commercial properties	199	194
Other	48	42
	247	236

4 Accommodation in management and development

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

	2019	Additions	Disposals	Other	2020
	No	No	No	No	No
Social housing					
General housing					
- social rent	7,167	1	(68)	-	7,100
- affordable rent	1,198	108	(7)	2	1,301
- shared ownership	13	11	-	-	24
- intermediate rent	30	5	-	(2)	33
Total owned and managed	8,408	125	(75)	-	8,458

5 Operating surplus

The operating surplus is arrived at after charging:

	2020	2019
	£ '000	£ '000
Depreciation of housing properties	5,937	5,293
Depreciation of other tangible fixed assets	130	129
Impairment of social housing assets	115	156
Gain on disposal of property, plant and equipment	1,154	1,152
Operating lease rentals		
- land and buildings	5	9
- office equipment and computers	44	55
- motor vehicles	24	35
Auditors' remuneration (excluding VAT)		
- for audit services	18	18
- tax compliance services	2	-
- other services	2	2
Total non-audit services	4	2

6 Gain on disposal of property, plant and equipment

	RTB/RTA	Other disposals	2020 Total	2019 Total
	£ '000	£ '000	£ '000	£ '000
Disposal proceeds	1,711	542	2,253	2,383
Less administration charges	(64)	-	(64)	(95)
Less amount payable to Durham County Council	(264)	-	(264)	(256)
Net disposal proceeds	1,383	542	1,925	2,032
Carrying value of fixed assets	(481)	(293)	(774)	(883)
Grant attributable to disposal	33	69	102	23
	935	318	1,253	1,172
Recycled Capital Grant Fund	(31)	(68)	(99)	(20)
	904	250	1,154	1,152

7 Interest receivable and other operating income

	2020	2019
	£ '000	£ '000
Interest receivable	18	20
VAT shelter income	321	364
Other income	11	9
	350	393

8 Interest payable and similar charges

	2020	2019
	£ '000	£ '000
Loans and bank overdrafts	2,943	4,882
Interest costs for pension scheme	160	170
	3,103	5,052

	2020	2019
Other Finance costs	£ '000	£ '000
Refinancing costs – loan breakage costs	-	29,316
	-	29,316

9 Employees

Average monthly number of employees expressed as full time equivalents (calculated based on a standard working week of 37 hours):

	2020	2019
	No.	No.
Administration	57	53
Property and development	28	27
Housing and communities	50	53
	135	133

Employee costs:	2020	2019
	£ '000	£ '000
Wages and salaries	4,483	4,282
Social security costs	444	429
Other pension costs	580	527
	5,507	5,238

Included in employee costs are early retirement and voluntary redundancy costs totalling £53,006 (2019 £nil).

The Association's employees are eligible to be members of Durham County Council Local Government Pension Scheme (LGPS). Further information is given below.

Durham County Council Local Government Pension Scheme

Durham County Council Pension Fund (DCCPF)

The DCCPF is a multi-employer scheme, administered by Durham County Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2016 and rolled forward, allowing for different financial assumptions required under FRS 17, to 31 March 2020 by a qualified independent actuary.

The employers' contributiaons to the DCCPF by the Association for the year ended 31 March 2020 were £580,490 (2019 £527,461) at a contribution rate of 14.1% of pensionable salaries.

Estimated current service costs to the DCCPF during the accounting period commencing 1 April 2020 are £1,240,000.

The McCloud judgement

The impact of the McCloud judgement has been allowed for these figures. Livin accounted for a potential McCloud liability at the last accounting date (which would have been recognised as a Past Service Cost based on actuary advice), any change in the allowance over the period has been treated as an experience item through other Comprehensive Income.

9 Employees (continued)

The current service cost includes a prospective allowance for McCloud liabilities of 1.04% of Pensionable Pay over the accounting period.

Financial assumptions			
	31 March 2020 % per annum		31 March 2019 % per annum
Discount rate	2.3%		2.5%
Future salary increases	2.9%		3.6%
Future pension increases	1.9%		2.1%
Pension accounts revaluation rate	1.9%		2.1%
Inflation assumption – CPI	1.9%		2.1%

Mortality assumptions

The mortality assumptions are based on the recent actual mortality experience of members within the fund and allow for expected future mortality improvements.

The assumed life expectations on retirement at age 65 are:	2020 No. of Years		2019 No. of Years
Retiring today:			
- Males	22.2		22.6
- Females	24.2		24.1
Retiring in 20 years:			
- Males	23.2		24.3
- Females	25.7		25.9

9 Employees (continued)

Analysis of the amount recognised in surplus or deficit:		
Year ended 31 March	**2020**	**2019**
	£'000	**£'000**
Current service cost	1,250	1,280
Past service cost	40	1,090
	1,290	2,370
Year ended 31 March	**2020**	**2019**
	£'000	**£'000**
Net Interest	160	170
Amounts charged to other finance costs	160	170
Remeasurement gain/(loss) recognised on defined benefit pension scheme	(180)	1,560
Actual return on scheme assets	(2,210)	2,650
Amounts recognised in the statement of financial position		
Net pension (liability) at 31 March	**2020**	**2019**
	£'000	**£'000**
Present value of funded obligation	(41,310)	(42,400)
Fair value of scheme assets (bid value)	33,220	35,370
Net (liability) recognised in statement of financial position	**(8,090)**	**(7,030)**
Reconciliation of opening and closing balances of the present value of scheme liabilities		
	2020	**2019**
	£'000	**£'000**
Opening scheme liabilities	(42,400)	(39,350)
Current service cost	(1,250)	(1,280)
Past service cost	(40)	(1,090)
Interest cost	(1,050)	(1,020)
Contributions by scheme participants	(260)	(260)
Remeasurements	2,920	(240)
Benefits paid	770	840
Closing scheme liabilities	(41,310)	(42,400)

9 Employees (continued)

Reconciliation of opening and closing balances of the fair value of scheme assets		
	2020	**2019**
	£'000	**£'000**
Opening fair value of scheme assets	35,370	32,510
Remeasurements	(3,100)	1,800
Interest income	890	850
Contributions by employer	570	790
Contributions by scheme participants	260	260
Benefits paid	(770)	(840)
Closing fair value of scheme assets	33,220	35,370

Major categories of plan assets as a percentage of total plan assets		
Equities	47.1%	49.9%
Gilts	28.5%	26.1%
Bonds	12.3%	11.6%
Property	8.1%	7.4%
Cash	4.0%	5.0%

History of asset values, present value of liabilities and (deficit) / surplus		
	Year ended 31 March 2020	**Year ended 31 March 2019**
	£'000	**£'000**
Fair value of assets	33,220	35,370
Present value of liabilities	(41,310)	(42,400)
(Deficit) / Surplus	(8,090)	(7,030)

	2020	**2019**
	£'000	**£'000**
Actual return on scheme assets	(2,210)	2,650

10 Key management personnel

	Basic salary	Benefits in kind	Pension contributions	Total 2020	Total 2019
				£'000	£'000
Board members	60	-	-	60	59
Executive directors	402	-	48	450	443

The full time equivalent number of staff who received remuneration, including directors:

	2020 No. of employees	2019 No. of employees
£60,001 and £70,000	2	3
£70,001 and £80,000	2	-
£80,001 and £90,000	4	3
£120,001 and £130,000	2	2
£150,001 and £160,000	1	1
	11	9

10 Key management personnel (continued)

Individual Board members levels of remuneration		
	2020	2019
	£'000	£'000
Ian Youll (Chair) until 18.9.2018	-	6
Alan Fletcher (Chair)	13	10
Kevin Thompson from 18.9.2018	7	3
Adele Barnett	7	7
Hannah Underwood from 18.9.2018	1	2
Gillian Stacey from 18.9.2018	5	3
Oliver Colling	7	6
Dennis Bradley	7	6
David Walton until 31.12.2018	-	4
Norman Rollo	7	7
Charlotte Harrison	5	5
Sheila Rooney from 01.01.2020	1	-
	60	59

The highest paid director was the chief executive. Their emoluments including an adjustment for FRS 102 annual leave accrual, but excluding pension contributions, were £152,655 (2019 £150,616).

The chief executive is a member of the Durham County Council Pension Fund. The pension contributions made during the period were £18,055 (2019 £17,685).

They are an ordinary member of the pension scheme and no enhanced or special terms apply. The Association does not make any further contribution to an individual pension arrangement for this director.

The number of directors accruing benefits under the pension scheme at 31 March 2020 was 3 (2019: 3).

Board members

Board remuneration levels and calculations are recommended following the receipt of independent advice and adoption of an appropriate remuneration policy in accordance with Livin's rules and probity policy. Performance assessment is conducted through collective and individual annual appraisal of Board and role profiles and contracts for services are agreed with all Board members to assist in assessing performance.

Board remuneration as a percentage of turnover is 0.2% (2019 0.2%).

11 Tangible fixed assets – properties

Housing properties	Social housing properties held for letting	Non-social housing properties held for letting	Housing properties for letting under construction	Completed shared ownership housing properties	Total housing properties
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2019	162,721	253	4,119	926	168,019
Additions	9,678	-	6,925	329	16,932
Works to existing homes	4,396	226	-	-	4,622
Schemes completed	3,353	-	(3,684)	331	-
Disposals	(1,422)	-	-	-	(1,422)
Transfer between assets	-	28	-	-	28
At 31 March 2020	178,726	507	7,360	1,586	188,179
Depreciation and impairment					
At 1 April 2019	(38,801)	(80)	-	(25)	(38,906)
Charged in year	(5,882)	(5)	-	(50)	(5,937)
Impairment	(115)	-	-	-	(115)
On disposals	647	-	-	-	647
At 31 March 2020	(44,151)	(85)		(75)	(44,311)
Net Book Value					
At 31 March 2020	134,575	422	7,360	1,511	143,868
At 31 March 2019	123,920	173	4,119	901	129,113

The carrying value of assets with restricted title or pledged as security is £71.8m (2019: £67.7m)

Expenditure on works to existing homes	2020	2019
	£'000	£'000
Amounts capitalised as components	4,396	4,633
Amounts included in housing properties for letting under construction	-	252
Amounts charged to the income and expenditure account	391	303
	4,787	5,188

11 Tangible fixed assets – properties (continued)

Housing properties book value, net of depreciation and grants

Impairment

Livin considers individual schemes to be separate Income Generating Properties when assessing for impairment, in accordance with the requirements of Financial Reporting 102 and SORP 2018. An impairment charge of £114,723 (2019: £155,759) has been made this year in relation to eight properties at The Courts, Shildon. The carrying value of these properties prior to the impairment was £114,723.

Social housing grant		
Total accumulated social housing grant	**2020**	**2019**
Received or receivable at 31 March	**£'000**	**£'000**
Capital grant	18,460	9,959
Recognised in the Statement of Comprehensive Income	903	646
Revenue grant	7	7
	19,370	10,612

12 Tangible fixed assets – other

Housing properties	**Offices**	**Computers and office equipment**	**Total**
	£'000	**£'000**	**£'000**
Cost			
At 1 April 2019	5,495	399	5,894
Additions	2	35	37
At 31 March 2020	5,497	434	5,931
Depreciation			
At 1 April 2019	(1,720)	(365)	(2,085)
Charged in year	(111)	(19)	(130)
At 31 March 2020	(1,831)	(384)	(2,215)
Net Book Value			
At 31 March 2020	3,666	50	3,716
At 31 March 2019	3,775	34	3,809

13 Investments

	2020	2019
	£'000	£'000
Investment in Spirit Regeneration and Development LLP	4	4

Livin is a member of the Spirit Regeneration and Development Co. LLP. This is an agreement which allows Livin to deliver its development programme in line with Homes England requirements.

Livin owns 100% of the ordinary share capital (£1) of Livin Developments Ltd. The subsidiary did not trade during the year and was dormant at 31 March 2020.

14 Investment properties: Non-social housing properties held for letting

	2020	2019
	£'000	£'000
At 1 April	7,825	7,650
Works to investment properties	10	-
Revaluation (loss) / gain	(374)	216
Disposals	(28)	(85)
Transfer	(28)	44
At 31 March	7,405	7,825

Investment properties were valued as at 31 March 2020. The Associations' investment properties have been internally valued using a 10% yield by Livin's Land and Property Valuer, who is a member of the Royal Chartered Institute of Surveyors. The full valuation was undertaken in accordance with the appraisal and valuation manual of the Royal Chartered Institute of Surveyors.

15 Stock

	2020	2019
	£'000	£'000
Shared ownership properties:		
Completed properties	148	564

16 Debtors

	2020	2019
	£'000	£'000
Due within one year		
Rent and service charges receivable	2,613	1,924
Less: provision for bad and doubtful debts	(668)	(566)
	1,945	1,358
Trade debtors	175	146
Other debtors	65	177
Social housing grant receivable	375	32
Prepayments and accrued income	581	488
	3,141	2,201
Due after more than one year		
Other Debtors	400	411
	3,541	2,612

Debtors due after more than one year relates to legal charges held on private dwellings that are situated within a regeneration scheme that was completed during a previous financial year.

17 Cash and cash equivalents

	2020	2019
	£'000	£'000
Money Market Investments	3,280	-
Cash at bank	322	2,673
	3,602	2,673

18 Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Overdraft	-	-
Debt (note 23)	-	-
Trade creditors	524	2,096
Rent and service charges received in advance	454	243
Deferred Grant Income (note 19)	295	202
Recycled capital grant fund (note 20)	-	6
Disposal proceeds fund (note 22)	-	-
Other taxation and social security	119	106
Other creditors	586	619
Accruals and deferred income	1,949	2,248
	3,927	5,520

Included in other creditors is £322,454 (2019 £363,226) owed to Durham County Council in respect of the VAT shelter.

Included in Accruals is £47,761 (2019 £53,614) relating to holiday balances accrued as a result of services rendered in the current period which employees are entitled to carry forward. The amount is measured as the salary cost payable for the period of absence.

19 Deferred capital grant

	2020	2019
	£'000	£'000
At 1 April	9,792	8,427
Grant received in the year	8,501	1,448
Recycled capital grant	38	-
Disposals proceeds fund	359	150
Released to income in the year	(257)	(210)
Grants disposed during the year	-	(3)
Recycled in the year (note 20)	(99)	(20)
At 31 March	18,334	9,792

	2020	2019
	£'000	£'000
Amounts to be released within one year	295	202
Amounts to be released in more than one year	18,039	9,590
	18,334	9,792

20 Recycled capital grant fund

	2020	2019
	£'000	£'000
At 1 April	155	135
Grants recycled	99	20
Other adjustments	1	-
Withdrawals	(38)	-
At 31 March	217	155

At 31 March 2020, there was £nil (2019 £5,623) due for repayment.

Withdrawals from the recycled capital grant fund are used for the purchase of housing properties.

21 Creditors: amounts falling due after more than one year

	2020	2019
	£'000	£'000
Debt (note 23)	93,000	91,000
Less debt issue costs	(985)	(1,104)
	92,015	89,896
Deferred Grant (note 19)	18,039	9,590
Recycled capital grant fund (note 20)	217	149
Disposal proceeds fund (note 22)	-	359
	110,271	99,994

22 Disposal Proceeds Fund

	2020	2019
	£'000	£'000
At 1 April	359	508
Inputs to DPF:		
Funds recycled	-	-
Interest accrued	-	1
Use / allocation of funds:		
New build	(359)	(150)
Other	-	-
At 31 March	-	359

At 31 March 2020, there was £nil (2019 £nil) due for repayment and the fund has been fully utilised in accordance with the Accounting Direction for Private Registered Providers of Social Housing 2019.

23 Analysis of changes in net debt

	At beginning of the year	Cashflows	Non-cash movements	At end of the year
	£'000	£'000	£'000	£'000
Due in one year				
Cash and cash equivalents	(2,673)	(929)	-	(3,602)
Bank loans	-	-	-	-
Private placement	-	-	-	-
	(2,673)	(929)	-	(3,602)
Due after more than one year				
Cash and cash equivalents	-	-	-	-
Bank loans	26,000	2,000	-	28,000
Private placement	65,000	-	-	65,000
	91,000	2,000	-	93,000

Security

The bank loans and private placement debt are secured by fixed charges on individual homes.

Terms of repayment and interest rates

The interest rates payable on the bank loans and private placements range between 1.633% and 3.207%. The percentage of loans at fixed rates of interest was 86% at the year end.

At 31 March 2020 the Association had available further bank loan facilities of £27m (2019 £29m). Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2020	2019
	£'000	£'000
Within one year or on demand	-	-
Between two and five years	3,000	11,000
Five years or more	90,000	80,000
	93,000	91,000

24 Non-equity share capital

	2020	2019
	£'000	£'000
Shares of £1 each issued and fully paid		
At 1 April and 31 March	10	9

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

25 Reserves

Revaluation reserve

This comprises of unrealised surpluses or deficits on the revaluation of investments.

Revenue reserve

This includes all current and prior year retained surpluses and deficits.

26 Cash flow from operating activities

	2020	2019
	£'000	£'000
Surplus/(Deficit) for the year	6,494	(23,286)
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	6,067	5,422
Impairment of tangible fixed assets	115	156
Impairment of investments	-	-
Defined benefit pension scheme operating charge	1,290	2,370
Defined benefit pension scheme contributions paid	(570)	(790)
Surplus on the sale of Social Housing	(1,154)	(1,152)
Decrease / (Increase) in Debtors	(929)	59
(Decrease) / Increase in Creditors	(1,527)	297
Decrease / (Increase) in Stock	416	(490)
Adjustments for investing or financing activities:		
Interest receivable	(18)	(20)
Interest payable	3,103	34,368
Government grant amortised	(257)	(210)
Net cash inflow from operating activities	13,030	16,724

27 Capital commitments

	2020	2019
	£'000	£'000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	22,111	9,309
Expenditure authorised by the Board, but not contracted	5,519	16,898
	27,630	26,207

28 Contingent assets / liabilities

The Association had no contingent assets or liabilities as at 31 March 2020 (2019 £nil).

29 Leasing commitments

The future minimum lease payment of leases are set out below. These relate to office premises, equipment provided for residents' use and office equipment.

Minimum future operating lease payments are as follows:

	2020		2019	
	Land and buildings	Other assets	Land and buildings	Other assets
	£'000	£'000	£'000	£'000
In one year or less	5	44	9	55
Between one and two years	-	19	2	31
Between two to five years	-	56	5	92
Over five years	-	14	2	26
	5	133	18	204

30 Related parties

During the year, two tenants of Livin served as Board members (Alan Fletcher and Sheila Rooney). Their tenancies were on normal commercial terms and they are not able to use their position to their advantage. The arrears relating to tenant board members at the year end was £nil (2019 £nil).

One member of the Board, Kevin Thompson, is a Councillor with Durham County Council, a local authority having nomination rights over tenancies for certain Association homes. All transactions with the Council are on normal commercial terms and no Councillor Board member is able to use their position to any advantage.

Included in other debtors is £nil (2019 £nil) intending to be recharged to Livin Developments Limited.

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