The ExtraCare Charitable Trust

ANNUAL REPORT AND ACCOUNTS
31 March 2020

KEY FACTS

	19/20	18/19
Homes for older people	3,917	3,687
New homes completed	230	521
New homes in development	321	490
Our Residents	4,416	4,109
Average age of our residents is	80	80
Villages in Development	1 plus 1 extension	2
Villages	15	14
Schemes	5	5
Charity Retail Shops	51	52
Volunteers supporting our charity	2,169	2,253
Staff working to a shared goal	1,307	1,289
Turnover*	£44.2M	£38.2M
Reserves*	£247.3M	£200.0M
Total comprehensive income*	£47.3M	£46.3M
Awards include:	Investors In People: Gold Award	

** Turnover and Reserves for FY18/19 have been restated. Further details can be found in Notes 2 and 35 of the Financial Statements.*

Foreword by the Chief Executive

2020 will be remembered for the Covid-19 pandemic that severely impacted the UK and caused the country to 'lock down' for several months. Our Charity and our residents were particularly vulnerable during this period as the virus disproportionately affected the older population. I am tremendously grateful to the ExtraCare staff, who worked tirelessly through the pandemic to deliver our two pandemic priorities, namely:

1. **Keeping our residents and staff safe; and**
2. **Keeping our charity financially viable.**

At the time of writing, we are evaluating our Covid-19 response. However, I am proud to be able to say that infection rates among our residents and staff were very low, and that location teams (including resident volunteers) did a brilliant job supporting the physical and mental wellbeing of our residents by putting on daily entertainment and exercise classes, organising delivery services and providing emotional support.

At the same time, rigorous mitigation planning kept our cash balances at a prudent level, maintaining a 'buffer' to provide resilience in the face of reduced income from property leases and fundraising, and increased spend in areas such as personal protective equipment (PPE) and staffing.

The pandemic caused a delay in our refinancing negotiations. However, during the Summer of 2020, we agreed with Lloyds to extend the expiry date of our revolving credit facility (RCF) from May 2021 to May 2022. In addition, a further private placement for £15M was secured with BAE Pensions to reduce our Lloyds funding. These two factors will ensure our financial position remains strong through the next two years.

During the year we also reviewed our accounting treatment for the recognition of turnover and the classification of property leases, and our Board considered alternative accounting policies to be more appropriate for 2019/20. Upon the sale of a leasehold interest in an apartment we have an obligation to repurchase the property at the original price paid, less a 1% deduction for each year of occupancy (capped at 10%) and as such we consider that a more appropriate accounting treatment is to recognise the transaction as a lease arrangement. Further details of the change can be found in Notes 2 and 35 of our Financial Statements. This change of policy brings us more in line with others in the sector but has no impact on the process, cash balances, or resident experience when purchasing a property lease at one of our villages or schemes.

2019/20 was also the final year of our 2017-20 Corporate Plan. Despite the turbulent end to the year, I am pleased to report that we had another strong year where we successfully achieved (or substantially achieved) the ambitious three-year targets and commitments that we set out in our 2017-20 Corporate Plan, across our three main areas of focus:

1. **Developing new villages;**
2. **Operating our villages and schemes; and**
3. **Supporting our villages and schemes.**

As well as the key underpinning areas of:

4. **Our people, processes and technology; and**
5. **Our finances and governance.**

The five key targets we set ourselves in the 2017-20 Corporate Plan (to be achieved by the end of 2019/20) were:

1. **We will develop five new villages and complete one village extension.**
   - In 2019/20, we opened our Bedford Wixams Village which was our fourth new village in this corporate planning period; and
   - We currently have Solihull (our fifth village) and Earlsdon Park 2 (our second village extension) on site – both of which were delayed by the pandemic.

2. **Each location will achieve a minimum CQC 'Good' rating overall – with at least a third of our locations having achieved 'Outstanding' in one domain.**
   - Five locations were 'Outstanding' overall, with nine locations achieving 'Outstanding' in at least one domain;
   - Thirteen locations were 'Good' overall; and
   - One location was rated as 'Requires improvement'.

3. **We will achieve a resident rating of 80% or above in all our villages and 90% or above in all our schemes.**
   - Resident satisfaction in our villages was 84.5%; and
   - Resident satisfaction in our schemes was 91.7%.

4. **We will achieve the following staff satisfaction scores: 75% of our employees will be satisfied with ExtraCare as an employer and 90% of our employees will be fully committed to our vison.**
   - 84% of our employees were satisfied with ExtraCare as an employer; and
   - 92% of our employees were fully committed to our vision.

5. **We will generate an overall Operating Surplus* of between £1-3M and a Total Surplus* in excess of £10M.**
   - We achieved an Operating Surplus* of c£4.7M; and
   - We achieved a Total Surplus* of c£20.8M.

** Measured on the previous accounting basis in place when our 2017-20 Corporate Plan was agreed. Operating Surplus is defined in this context as the surplus attributable to the operation of our schemes and villages.*

Looking forward, we have decided to defer our next Corporate Plan by a year, and instead work to a 2020/21 Business Plan that will allow us to review the way in which the pandemic has (re)shaped our priorities and the way we work. Whilst the pandemic means we will face further uncertainty over the next months and possibly years, I am confident in our ability to continue to grow and improve in the face of this uncertainty. In light of this, there are no significant developments to our operations or business model planned at this time.

I am also confident in the attractiveness of our 'model' of supported independent living which has proved particularly resilient during the pandemic. If anything, the pandemic has demonstrated that creating better lives for older people, by providing homes older people want, lifestyles they can enjoy and care if it's needed, is more important now than ever.

Finally, on behalf of the Executive Leadership Team, I’d like to thank our Trustees, our staff, and our volunteers. We really appreciate your continued support and commitment.

Mick Laverty, Chief Executive, The ExtraCare Charitable Trust

REPORT OF THE BOARD

Legal and Administrative Information

Charity Name	The ExtraCare Charitable Trust
Governing instrument	The Charity is a company limited by guarantee and not having a share capital. As such it is governed by its Memorandum and Articles of Association, which were last amended by special resolution on 13 November 2019. It was incorporated on 11 December 1987.
Registered Charity number	327816
Registered Social Landlord	4706
Company registered number	2205136
Members	The Directors of the Charity from time to time and such other persons admitted to membership of the company under the Articles. The number of members is unlimited.

Board of Trustees:	**Formally appointed**	**Retired**
Paul Jennings (Chair)	11 November 2010	-
Mary Martin (Vice Chair)	15 November 2017	-
Richard Clarke (Senior Independent Director)	14 November 2018	-
Professor Guy Daly	18 March 2019	-
Rebekah Eden	15 November 2017	-
Adrian Eggington (Interim Trustee)	1 March 2020	-
Maggie Gardner	13 November 2019	-
Karen Helliwell (Interim Trustee)	1 March 2020	-
Mike Higgs	11 November 2010	13 November 2019
Ruth Hyndman	11 November 2010	13 November 2019
Martin Leppard	11 November 2010	13 November 2019
Sue Lock (Interim Trustee)	1 March 2020	-
David Mell	14 November 2018	-
Judith Mortimer Sykes	11 November 2010	13 November 2019
Phil Riman	24 April 2019	-
Peter Roach	18 March 2019	24 June 2019
Sue Whelan Tracy	13 November 2019	-

Development Committee:	**Operations Committee:**
Phil Riman (Chair), Paul Jennings, Mary Martin, Adrian Eggington, Karen Helliwell	David Mell (Chair), Paul Jennings, Richard Clarke, Sue Whelan Tracy, Sue Lock, Karen Helliwell

Former members: Mike Higgs (Chair), Ruth Hyndman, Martin Leppard	Former members: Judith Mortimer Sykes (Chair)
Fundraising, Research and Advocacy Committee: Professor Guy Daly (Chair), Rebekah Eden, Maggie Gardner, Sue Whelan Tracy Former members: Martin Leppard (Chair), David Mell	**Audit and Assurance Committee:** Mary Martin (Chair), David Mell, Richard Clarke, Adrian Eggington, Sue Lock Former members: Mike Higgs (Chair), Ruth Hyndman, Judith Mortimer Sykes
Nomination and Remuneration Committee: Rebekah Eden (Chair), Richard Clarke, Paul Jennings Former members: Ruth Hyndman (Chair), Mike Higgs	

Company Secretary	Gemma Duggan	
Executive Leadership Team (principal members of staff)	Mick Laverty	Chief Executive
	Angela Harding	Executive Director Operations
	Henriette Lyttle-Breukelaar	Executive Director Marketing and Innovation
	Chris Skelton	Executive Director Corporate Resources
	Kevin Willetts	Executive Director Development, Sales and Procurement
Registered and principal office	7 Harry Weston Road Binley Business Park Coventry CV3 2SN	
Principal Bankers	Lloyds Banking Group Plc	
Primary Solicitors	Shakespeare Martineau, Pinsent Masons	
Auditors	RSM UK Audit LLP	

The Board presents The ExtraCare Charitable Trust's ('ExtraCare') Annual Report and the audited financial statements for the year ended 31 March 2020.

Charitable Objectives and Public Benefit

ExtraCare was established in 1988 to provide services to older people and this is explicit in our Vision to deliver 'Better Lives for Older People' and our Mission 'Creating sustainable communities that provide homes older people want, lifestyles they can enjoy and care if it's needed.'

We are a registered Charity and as such must carry out charitable purposes for the public benefit. Our charitable purposes ('Objects') are set out in our Articles of Association and include:

- The business of providing (directly or indirectly) and managing the provision of housing, social housing and other accommodation (including, without limitation, nursing homes, sheltered homes, hostels and care homes), and assistance to help house people, and associated facilities and amenities or services, for people who are poor, or for people who are in need by reason of their age, physical disability, mental disability, learning disability, mental illness or chronic sickness;
- The provision of care, welfare, medical, nursing, community and other services, and associated facilities and amenities, for people who are poor, or for people who are in need by reason of their age, physical disability, mental disability, learning disability, mental illness or chronic sickness;
- The relief of sickness and the preservation and promotion of health of people who are poor, or of people who are in need by reason of their age, physical disability, mental disability, learning disability, mental illness or chronic sickness;
- The relief of financial hardship amongst elderly people; and
- Any other charitable object not prohibited for a company registered with the Regulator as a non-profit private registered provider.

We deliver our charitable objectives through the development and management of retirement communities – either large retirement villages or smaller housing schemes – each typically made up of individual one or two-bedroom homes, which are available for granting of a property lease, granting of a shared ownership property lease, or for social rent, together with extensive communal facilities. In each of our villages and schemes we provide personal care and support to those residents who need it and offer a wide range of opportunities for healthy, active and fulfilling lifestyles. A small number of our locations are owned by another Housing Association where we provide management and care services for residents, but our approach is now to develop retirement villages which the Charity both owns and manages.

Through our offering of mixed tenures (granting of a property lease, granting of a shared ownership property lease, and social rent), we seek to promote balanced communities which are accessible to all older people regardless of their background. Our award-winning Enriched Opportunities Programme (EOP) supports residents with dementia and dementia-related conditions and is partly funded by ExtraCare through our charitable fundraising. Where we charge for other services provided to residents and other beneficiaries, we aim to maintain charges at an affordable level and, in doing so, Trustees have due regard to the public benefit guidance published by the Charity Commission. We recognise that an affordable level will be different for different residents and seek to ensure that those who can afford to pay for their services do so.

The Equality Act 2010, which generally prohibits discrimination on the grounds of a protected characteristic such as age, contains an exemption allowing charities to limit the group of people they help or to target benefits to a particular group provided this is clearly stated in their objects and the benefits are provided in a proportionate way, either to tackle a particular disadvantage or need related to that group or to pursue a legitimate aim, such as a reasonable social policy objective. The Board is satisfied that the activities of our Charity fall within this exemption given that:

- The provision of quality one and two-bedroom homes allows older people to vacate larger homes making such homes available for families;
- The provision of safe and secure communities with a wide range of activities helps to reduce the loneliness and isolation increasingly faced by older people; and
- The promotion of well-being and healthy lifestyles not only improves the health of the individual but reduces the impact on limited NHS and other publicly-funded services.

In making these statements, the Trustees have had due regard to the Equality Act guidance published by the Charity Commission.

Corporate Governance

ExtraCare is a registered charity and a private company limited by guarantee. ExtraCare has no shareholders and all of our surpluses are reinvested back into the Charity. We are led by a Board of Trustees, all of whom are directors for the purposes of the Companies Act 2006. We are monitored and supervised by external regulators and trade bodies including the Regulator of Social Housing (RSH), the Care Quality Commission (CQC), the Charity Commission, the Information Commissioner's Office and our trade body the Associated Retirement Community Operators (ARCO).

ExtraCare Members and our Board of Trustees

The Board of Trustees is collectively accountable to ExtraCare's members and other stakeholders for the long-term success of the Charity. ExtraCare's members generally comprise past Trustees and Executive Directors and all current Trustees are also members. At the AGM in November 2019 members also agreed that the Chair and Vice Chair of the Residents' Forum should be members for the period of their terms of office. New members may be appointed by the Board in accordance with the Charity's Membership Policy.

Our Board is responsible for setting the vision, mission and values of the Charity, holding the Executive Directors to account for the Charity's performance, standards of conduct and corporate governance. Our Board is also responsible for ExtraCare's compliance with all relevant legislative and regulatory requirements. In accordance with the Articles of Association, Trustees may not be paid for their services nor may they be employees of the Charity and as such they act in a non-executive capacity.

Board Composition

The number of Trustees is limited by the Charity's Articles of Association to 12. During the year there were some changes to our Board membership following the resignation/ retirement of some Trustees. Trustees come from a range of backgrounds, including public bodies, the housing sector and the private sector. Details of the Trustees are shown below and biographies are provided on the Charity's website (https://www.extracare.org.uk/about-the-charity/our-trustees-directors/).

Board Changes

Appointment as a Trustee is for three years, subject to a maximum of two terms, and in exceptional circumstances this can be extended to a third term (9 years). At the AGM in November 2019 Professor Guy Daly, Phil Riman, Maggie Gardner and Sue Whelan Tracy were appointed for a term of three years. Professor Guy Daly had previously joined the Board on 18 March 2019 as an interim Trustee, and Phil Riman was appointed as an interim Trustee from 23 April 2019. Until her appointment, Maggie Gardner has been attending meetings of the Board as an observer. Karen Helliwell, Adrian Eggington and Sue Lock were appointed as Interim Trustees on 1 March 2020: all three will be eligible for election as full Trustees at the AGM in November 2020.

Chair of Trustees

Paul Jennings is the Chair of the Board of Trustees having been appointed as Chair on 18 September 2017. Paul will retire from the Board in November 2020 and a Chair-elect has been identified by Trustees and ExtraCare Members will confirm (or not) appointment of the new Chair at their AGM in November 2020.

Board Meetings

The powers of the Trustees are set out in the Charity's Articles of Association and the Board may exercise all powers conferred on it by the Articles and in accordance with the Companies Act 2006, the Charities Act 2011 and other applicable legislation. The Board has four (quarterly) scheduled meetings each financial year. Trustee attendance for the year ended 31 March 2020 is shown below:

	Actual Board meetings	Virtual Board Meetings~	Committee meetings	AGM
Paul Jennings (Chair)	5 of 5	2 of 3	8 of 9	1 of 1
Mary Martin	5 of 5	3 of 3	6 of 8	1 of 1
Richard Clarke	4 of 5	3 of 3	6 of 8	1 of 1
Guy Daly[1]	3 of 5	1 of 2	3 of 4	1 of 1
Rebekah Eden	4 of 5	1 of 3	9 of 9	0 of 1
Adrian Eggington[2]	0 of 1	0 of 0	0 of 0	0 of 0
Maggie Gardner[1]	3 of 5	0 of 2	4 of 4	0 of 1
Karen Helliwell[2]	1 of 1	0 of 0	0 of 0	0 of 0
Mike Higgs[3]	3 of 3	0 of 2	3 of 6	1 of 1
Ruth Hyndman[3]	3 of 3	2 of 2	9 of 9	1 of 1
Martin Leppard[3]	2 of 3	2 of 2	6 of 6	1 of 1
Sue Lock[2]	1 of 1	0 of 0	0 of 0	0 of 0

	Actual Board meetings	Virtual Board Meetings~	Committee meetings	AGM
David Mell	5 of 5	3 of 3	9 of 9	1 of 1
Judith Mortimer Sykes[3]	3 of 3	2 of 2	4 of 6	0 of 0
Phil Riman[4]	5 of 5	1 of 1	4 of 4	0 of 1
Peter Roach[5]	2 of 2	0 of 0	2 of 2	0 of 0
Sue Whelan Tracy[6]	1 of 1	0 of 0	2 of 2	1 of 1

~ Decisions made electronically
[1] Appointed as interim or co-opted 18 March 2019, formal appointment 13 November 2019
[2] Appointed as Interim Trustee 1 March 2020
[3] Stepped down 13 November 2019
[4] Appointed as interim Trustee 23 April 2019 and formal appointment 13 November 2019
[5] Served as Trustee from 18 March 2019 – 24 June 2019
[6] Appointed 13 November 2019

The Board has a formal schedule of matters specifically reserved for its approval which cannot be delegated. Other specific matters have been delegated to its Committees and these are clearly defined within each Committee's terms of reference.

Board Committees

Throughout the year the work of our Board was supported by Board Committees:

- Development Committee;
- Operations Committee;
- Fundraising, Research and Advocacy Committee;
- Audit and Assurance Committee; and
- Nominations and Remuneration Committee.

Each Committee has written terms of reference which are approved by the Board. Committees comprise of between 4-6 Trustees including Committee Chairs and membership of each was determined considering individual's skills and experience. Committees meet quarterly, and minutes of meetings are submitted to the subsequent Board meeting. The exception is the Nominations and Remuneration Committee which meets as required. Committee Chairs provide written assurance reports to the Board on the work of the Committee.

Governance Arrangements

ExtraCare has adopted the National Housing Federation (NHF) 2015 Code of Governance and strives to uphold the nine principles of good governance as defined by the Code. Our Board regularly assesses compliance with the Code to gain assurance that the organisation remains compliant and identifies any areas for improvement. In order to provide continuity during a period where the majority of the Trustees retired within the space of 18 months, the Trustees and Members of the Charity agreed to extend the Chair of the Board of Trustees' term beyond the nine years stipulated in the Code. Our regulator (RSH) was informed of this extension to the Chair's term and mitigations have already been put in place to ensure Trustee renewal is better phased in the future.

The Governance and Financial Viability Standard ('the Standard') of the RSH requires registered providers to assess their compliance with the Standard at least once a year and certify their compliance in the annual accounts. We have fully assessed ourselves against the Governance and Viability Standard, Value for Money Standard, Rent Standard and the Consumer Standards and we are compliant with the key requirements of these standards. One of the specific requirements of the Standard is that registered providers shall have governance arrangements which ensure that they adhere to all relevant law. Our Charity is satisfied that it has appropriate measures in place to ensure legislative and regulatory compliance. Trustee indemnity insurance is in place for the financial year.

Future Developments

As we come to the end of our current Corporate Planning period (2017-20) we are reviewing our development appetite and have no further village developments currently planned. We have deferred our next Corporate Plan by a year, and our 2020/21 Business Plan will allow us time to reshape our priorities following the impact of Covid-19, informing our ambitions for our next Corporate Plan.

Going Concern

The key risk emerging at the 2019/20 financial year end was the Covid-19 pandemic following the World Health Organisation's declaration on 11 March 2020.

Our 30-year financial plan is based on robust assumptions and includes headroom of a combination of undrawn loan facilities and cash to allow us to withstand a range of potential risks. Following stress testing the Board agreed for prudent assumptions around the net cash inflow from granting of subsequent property leases to be factored into our business plan to mitigate our market risk exposure to factors such as a pandemic.

To protect our cashflow we took early action to freeze non-essential budget lines for both revenue and capital expenditure. This took effect mid-March and has continued into 2020/21 where, as a new budgeting year, we were able to broaden the range and materiality of our budget freezes. As we seek to continue to preserve our cash balances, we have revised our 2020/21 budget, rebasing this using our experience of the first wave and reducing our levels of previously planned expenditure.

We have held undrawn loan facilities throughout the pandemic and alongside this have consciously sought to increase our cash balances held (normally at around £2M but rising to over £10M by August 2020) to provide further cash flexibility: undertaking daily cashflow reporting at Executive level. We also received government support as were able to access the Coronavirus Job Retention Scheme; Retail, Hospitality and Leisure Grant Fund; and receiving some support from local authorities who reimbursed some pandemic related costs such as for PPE.

During the pandemic we continued to progress our loan refinancing work. Our Revolving Credit Facility (RCF) with Lloyds reduced from £60M to £50M at the end of June 2020. Alongside this we secured a further £15M from BAE Pensions (to 2040) which was used to reduce our RCF further (from £50M to £35M) and we extended the RCF from May 2021 to

May 2022. With no further developments committed after Solihull Village and Earlsdon Park extension our base case cashflow model (pre-stress testing) shows cash balances will build to £30M by March 2022.

Using the experience of the first wave, we have risk assessed the potential impact of a second wave on our income and expenditure including possible implications for liquidity and covenant compliance. Our cashflow modelling of a second wave includes a number and range of stresses and this demonstrates that we continue to remain viable if we incur a delay to opening of our Solihull Village and Earlsdon Park extension; granting of initial and subsequent property leases stop for a further three-month period; and rental voids increase by 1% a month. Under these stresses alongside a range of others, we will continue to make a surplus in 2020/21 and 2021/22; our cash reserves are in excess of the £2M level defined in our Treasury Management Strategy; and we meet our loan covenants.

Our development programme was scaled back for 2020/21 after a period of growth for the 2017-20 Corporate Planning period. This has reduced our exposure to development risk with final major capital expenditure only due for completion of Solihull Village (due to open January 2021) and opening our extension at Earlsdon Park (due to open November 2020). Both developments are well progressed, and we have undrawn loan facilities under our RCF that we can use to fund these developments. As such stress testing of a second wave on our development capital expenditure is unlikely to have any material impact.

Granting of initial and subsequent property leases slowed during the first wave and we have stress tested a repeat of this for any second wave. Mirroring our approach for the first wave we have assumed no property leases are granted (initial or subsequent leases) for any second wave for a 3-month period: in reality we did continue to have a (lower) level of property leases granted during the first wave. We did not experience any decline in prices for our properties for lease during the first wave and in addition the removal of stamp duty since then is an incentive to new lease purchases by helping to mitigate potential barriers in the housing market chain. The impact of this stress is delayed cash proceeds of £9M and mitigated by reducing non-essential spend and delaying our village modernisation programme. It is expected that the volume of property leases granted recovers to the pre-pandemic levels once restrictions are lifted.

Our obligation to buy leasehold properties back upon property lease surrender presented a risk to us for the first wave and we took early action to agree a delayed surrender scheme with our Board affording us the option to negotiate a delay of up to 12 months before buying back. For the first wave the limited number of leased properties repurchased were generally only where either an immediate grant of a subsequent lease for the same property was in place or where another property lease was granted from other properties available for lease, thereby balancing the buyback. Any other buybacks were funded by those initial and subsequent property leases granted which we had (deliberately) not factored into our cashflow and we were able to fund these whilst continuing to build our cash balances. As a result, in overall terms our net cash position improved by £1.7M during the first wave which contributed to our increasing cash balances held. The operational action taken to mitigate the Covid-19 risk in our locations (such as our location infection control plans, restricted movement to and between locations, and early adoption of PPE) meant that we did not experience unusually high surrender rates during the first wave. Our modelling replicates the experience of the first wave and assumes levels of properties being held available for lease with any buyback either offset by a back to back grant of a subsequent lease with the exception being any delayed surrender from the first wave which will arise later in 2020/21. The impact of this stress is £1.5M and is mitigated by the delayed surrender scheme.

We have experienced void losses during the first wave when nominations for rental properties stalled. Given the societal impact of Covid-19 and the pressure on local authorities, we have modelled no catch up on current void levels but a further increase of 1% a month for (3 months). This takes void losses to £462K from initial budgeted levels of £270K and is mitigated by reducing non-essential spend.

Our stress testing does not expect to see any material change in rental arrears. Our residents are generally not of working age and not reliant on a salary to pay their rent but are in receipt of pension and/or housing benefit. Around 42% of our residents are in receipt of the latter with the majority of this paid direct to the Charity mitigating the risk of arrears.

We have adopted a range of wider mitigations to manage our cashflow risk. All project management spend has been put on hold as part of the mitigation plan. In terms of repairs and maintenance during the first wave only emergency and urgent repairs were carried out with compliance work recommencing upon easement. Planned maintenance will be re-phased to preserve cash in 2020/21, giving priority to our compliance work.

We postponed our modernisation spend at Lark Hill as we limited non-essential works at our locations, and which also reduced our cashflow need by £3M for 2020/21. This programme of investment at our existing villages is designed to enhance village desirability and is discretionary spend which our mitigation plan recognised we could flex and reprofile as required to suit affordability.

Our revised 2020/21 budget reduced expenditure from £64.1M to £58.4M following rebasing for Covid-19 and using the results of the real stress testing experience from wave 1. We have further scope to reduce expenditure with several further budget lines not yet frozen providing a further (as yet not invoked) saving of £2.7M. The medium to long term consequences of the Covid-19 pandemic will be regularly assessed and the 30 Year Financial Plan will be updated accordingly.

Our financial statements comply with all the current statutory requirements and with the requirements of the Charity's Articles of Association. After making all reasonable enquiries, the Board have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In coming to this decision, the Board have considered on-going financial performance data, stress testing of the cashflow, and any actual or potential future liabilities. The Board are therefore confident in confirming that the Charity is viable as a going concern.

Finances and Governance

Our borrowing facility with Lloyds Banking Group was £130M at the start of the financial year; with £10M of this being a temporary extension to our RCF which expired at the end of June 2020). £35M of our financing from Lloyds is a Revolving Credit Facility (RCF) which is now due to expire in May 2022 having been extended from May 2021. BAE (our other funder) have agreed further funding of £15M in the Summer of 2020 which allowed our Lloyds loan facility to reduce from £50M to £35M. This short-term funding is supported by further secure, longer-term funding from Lloyds (£39M to 2026, £31M to 2040) and from BAE (£35M to 2031, £7.5M to 2037, £15M to 2040): providing us with a balance of short and mid to long-term financing.

Alongside the extension of our RCF we are also reviewing our long-term debt structure to ensure that our financing mix remains suitable for our needs.

No development starts on site unless the full cost of the development can be funded from existing loan facilities and a contingency headroom of undrawn loan facilities and cash is also maintained.

This year we also reviewed our accounting treatment for turnover and property leases with a change to our accounting policy adopted for 2019/20, with comparative figures restated to reflect these changes. This change is to our policy for accounting for the recognition of turnover and for the classification of property leases with no impact on our cash, processes, or our resident experience when purchasing a property at our villages or schemes.

Upon the sale of a leasehold interest in an apartment (being outright or shared equity), there is an obligation for the Trust to repurchase the property at the original price paid, less a 1% deduction for each year of occupancy (capped at 10%). The lease is registered with the Land Registry and stamp duty is paid so it is registered as a sale legally. Our Board has reassessed the accounting treatment and, on the basis, that the Charity retains control over a property sold (with a leasehold interest), it considers that a more appropriate accounting treatment is to recognise the transaction as a lease arrangement.

As a result of this change, all properties remain on the balance sheet, and no sales income is recognised. A creditor for the obligation is recognised, and 1% of this taken as income annually as a lease charge (capped at 10 years). All properties that have leases granted (full and part equity) are held for capital appreciation and are considered by the Board to be treated as investment properties. These are re-valued at each balance sheet date at their fair value, with any fair value movement recognised in the Statement of Comprehensive Income for the period. The changes only apply to the leasehold properties: rented properties held for social housing are unaffected and remain on the balance sheet at historic cost and continue to be depreciated. Further analysis of the financial effect of this change can be seen in Notes 2 and 35 of our Financial Statements.

The Board recognises that the loans covenants with our funders (Lloyds and BAE) were prepared before the change of accounting policy. The covenants are calculated using values derived from our financial statements as prepared using the previous accounting policies in place prior to our change of accounting policy. Having made enquires with our funders and receiving assurances and legal guidance, the Board are satisfied that until the Charity initiates the agreement of new covenants, covenant compliance will be assessed by both funders under the previous basis of accounting and based on mutually acceptable calculations. Covenant calculations have therefore been prepared based on the previous accounting treatment and reconciled back to the financial statements prepared under the revised accounting basis. These calculations demonstrate compliance with the loan covenants as measured on the previous accounting treatment.

Safety Management

The health and safety of our residents and staff is of uttermost importance to Trustees and over the last year we have continued to invest in our locations to ensure the buildings are safe and well managed. Performance on health and safety, including fire safety, is of strategic importance to the Charity and is reported to our Board each quarter. Health and safety and fire safety are identified as risks on the Corporate Risk Register and are monitored quarterly at our Audit and Assurance Committee.

The Corporate Health and Safety Group, chaired by the Director of Governance and Compliance, monitors the management of health and safety areas across the Charity and the minutes are reported to the Executive Leadership Team on a quarterly basis. The Executive Leadership Team also receive monthly health and safety data covering fire safety, health and safety and property compliance.

ExtraCare has in place a comprehensive policy framework on health and safety and property compliance which demonstrates our understanding of our legal and regulatory expectations. Our Health & Safety Manager has been appointed as our competent person in accordance with Regulation 7 of the Management of Health and Safety at Work Regulations 1999.

As a result of the emerging findings from the Grenfell Fire Investigation, our Trustees ensured that ExtraCare put in place a more detailed Fire Risk Assessment of each location, including a survey of all compartmentalisation and all fire doors. Over the last year, and continuing over the financial year 2020/21, we are investing in fire prevention systems across all locations, as well as following government advice to ensure our balconies are clear of dangerous and combustible materials and our corridors act as clear escape routes.

The outbreak of Covid-19 presented additional health and safety considerations at the end of the financial year. We effectively developed mitigation plans and risk assessments to ensure we continued to manage our existing health and safety obligations while limiting the spread of the virus. We paused planned fire safety work and fixed wire testing which involved going in and out of apartments as part of our measures to restrict non-essential visits to locations to minimise the risk of infection. Fire safety work resumed in July 2020 following government guidance for working in residents' homes and we have an extension of six months to complete the fixed wire testing. All our legal health and safety obligations have been met during this period.

Staff Engagement

We use a number of channels to ensure that our staff, regardless of their functions or location, are informed and engaged on matters relating to their employment as well as more general matters relating to the Charity and its strategic direction.

Annual staff roadshows were held in 2018 and 2019 to allow staff to meet a member of the Executive Leadership Team in their location and hear about the performance (including the financial performance) of the Charity and ask questions. This roadshow also addresses specific points raised by staff in the annual staff survey. The 2020 roadshows – due to start in March - coincided with lockdown restrictions and have therefore been deferred.

Our ‘Workplace by Facebook’ online interactive staff communication platform is accessible to all staff, at all times, and from any device. This provides a corporate communication portal where all employment related information including policy updates, important announcements, vacancies and corporate publications, are posted.

Our internal communications framework comprises of daily ‘line up’ meetings for staff in locations; monthly work planning meetings between staff and their line management; monthly team meetings and quarterly Directorate meetings. Our annual staff survey is an opportunity for employees to express their views of the charity as an employer. Our ‘we’re listening’ and ‘innovation scheme’ are means for staff to suggest areas for improvement which are reviewed by (senior) management and responded to through ‘you said, we did’ communications.

In 2019, several measures were introduced in response to staff feedback. They included:

- The introduction of the ability for all staff to buy or sell up to 5 days annual leave;
- The introduction of 25 days annual leave entitlement from the start of employment (previously, this was 20 days in certain roles); and
- Flexibility around working requirements in locations over the Christmas period.

Disabled Employees

Our Charity currently has 25 staff who have declared a disability which is equivalent to 1.85% of our workforce. It is not mandatory for individuals to declare disabilities under the Equality Act, so the number may be higher than our statistics show.

All our staff are treated equally and fairly as part of any recruitment process and all applicants invited for interview are offered support to assist them with the process. This may include access to buildings or assistance with tests where applicable. We will, wherever possible, support any individual who becomes disabled during their employment by providing further training or adaptations to allow them to continue in their role. If the nature of the disability means this is not possible, i.e. an individual who becomes physically disabled and is unable to carry out a physically demanding role, then consideration will be made as to whether it is possible for us to provide re-training for them to carry out an alternative role if one exists. Disabled employees can access support through Access to Work and apply for specialist equipment to assist them to continue in their job, with our Charity contributing towards the costs.

Fundraising

Our Charity greatly benefits from the kindness of those who donate time, goods and money to us. Their donations enable us to deliver services which would otherwise not be financially sustainable, and which are vital in helping us create better lives for older people.

Our charitable income is largely generated through:

- ExtraCare Retail Limited, our wholly owned trading subsidiary which operates our charity shops;

- Funds raised through trusts, foundations, challenge appeals and our corporate donations;
- Dedicated residents and staff who lead or support fundraising activities at their locations, working alongside their local communities; and
- The contribution of our internal and external volunteers who generously give both their time and skills.

We are registered with the Fundraising Regulator and adhere to its Code of Fundraising Practice. We also act in accordance with all regulations governing charity fundraising. Our fundraising activities are monitored by our Fundraising, Research and Advocacy Committee. In 2019/20 no complaints were raised with regards to our fundraising activities.

Capital Structure

Our Charity is a company limited by guarantee and does not have share capital. As such it is governed by its Memorandum and Articles of Association. It was incorporated on 11 December 1987.

Treasury policy

It is our Charity's policy to take out long-term loans at fixed rates of interest, whilst limiting the exposure to interest rate fluctuations on any development funding. Interest rate caps remain in place to protect us against any interest rate increases on the revolving credit facility. All other borrowings are at fixed rates of interest.

Our Treasury Management Policy was approved by the Board in September 2018 and it outlines the principles on which we manage investments and borrowings. In addition, to support this a new Treasury Management Strategy was approved by our Board in May 2019. This strategy outlined the approach to be followed during 2019/20, for investment and borrowing and considered how that approach fitted with longer term funding requirements. It also set out our Charity's expectation for interest rates and highlighted the uncertainties and risks in the forecast. Furthermore, it considered those aspects of treasury policy that change annually or more frequently: highlighting the Charity's views or interpretation of factors that may influence treasury management decisions and proposed how these matters would be dealt with during 2019/20.

Our policy also outlined our plans to incrementally build our loan headroom, from 5%, then 10% then moving to 15% between total facilities and borrowings following the opening of Bedford Wixams and with this headroom only being able to be used with Board agreement. This self-imposed contingency was built in in order to provide us with a buffer in the event of an unexpected event, such as Covid-19 (contingency being a combination of cash reserves and undrawn loan facilities). No development starts on site unless the full cost of the development can be funded from existing loan facilities and/or cash and with a contingency headroom (being a combination of cash reserves and undrawn loan facilities) to be maintained.

Internal Financial Control

The Board is provided with an annual Assurance Statement by the Head of Assurance outlining the control measures that are in place to provide comfort to the Trustees on financial, governance and operational internal controls. This Assurance Statement is supported by a rolling programme of internal audit which provide assurance to the Board via the Audit & Assurance Committee.

The Charity has delegated authority for overseeing the adequacy and effectiveness of the internal control systems to the Audit and Assurance Committee. During 2019/20 our appointed internal audit provider (Q1-Q3 BDO and Q4 TIAA) has attended each Audit and Assurance Committee meeting along with our External Auditor (RSM).

The work of the external auditors provides some assurance through the interim and final audit visits and the provision of an audit report and management letter. Regular meetings are held with our external auditors to provide an update on changes in the Charity and to discuss strategic and technical matters.

A corporate balanced scorecard is used to provide the Board and its Committees with details of performance against those targets and commitments included in our 2019/20 Business Plan.

Independent Auditor

In so far as each of the Directors is aware:

- There is no relevant audit information of which the group's auditor is unaware; and
- The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

On behalf of the Trustees:

Paul Jennings – Chair
28 October 2020

STRATEGIC REPORT

Sector Outlook

The number of households that include a person over the age of 65 is growing by 180,000 per annum in the UK, and the number of households that include a person over the age of 85 is predicted to grow to 1.42 million by 2037[1]. Yet the total stock of retirement housing in the UK is only 750,000 (less than 3% of the total housing stock) and has grown by little over 7,000 per year over the past decade. Surveys have shown that up to a third of older households are amenable to downsizing[2], and will do so when choices around the type and tenure of home, lifestyle aspirations and care options are made available.

At ExtraCare, we have witnessed the benefits of providing choice; across Birmingham over 1,000 mixed-tenure purchase and council homes have been released back into the community as people have actively sought to downsize to one of our five Birmingham villages. All five have waiting lists. The demand for our offering continues to grow with the opening of four new villages during the life of our 2017-20 Corporate Plan and a further village in 2021, bringing our total number of locations to 21.

Despite the clear market opportunity, only 0.6% of over 65s in the UK (75,000 people) live in a retirement community. In June 2020, the ARCO and the County Councils Network, called for government reform including changes to ease sector planning rules, the establishment of a government task force on meeting current and future housing and care needs, and tailored funding pots to help incentivise the development of retirement communities. Their report, Planning for Retirement[3], states that providing retirement community options for 250,000 people across the UK by 2030 would:

- Help to tackle the housing crisis: releasing over 562,500 bedrooms in general housing;
- Aid the health and care systems: delivering £5.6bn aggregate savings and improving efficiency in delivery; and
- Boost the economy: investing over £40bn and turning over £70bn.

However, we should consider this potential alongside the impact of the 2020 Covid-19 pandemic. Whilst we remember and stand together as a sector to support all those who have been affected, emerging evidence demonstrates the positive role retirement communities have played during the crisis: open spaces, self-contained accommodation, tailored service provision and strong community networks have all played their part in protecting lives and supporting the mental health of older people, particularly those who are most vulnerable. Mercifully, the level of fatalities we have experienced at ExtraCare has been significantly lower than for similar age groups (80 years-plus) across the wider population across England. We have created a video with some of our residents which explains the measures we took in response to Covid-19. https://www.youtube.com/watch?v=8MaFT4Sqn-w&feature=youtu.be

ExtraCare, from the pandemic's outset, has monitored budgets closely to maintain the charity's strong position at the end of financial year 2019/20 and will continue to do so.

[1] https://www.ageing-better.org.uk/sites/default/files/2019-03/The-state-of-ageing.pdf
[2] Too Little, Too Late? Housing for an ageing population: https://www.arcouk.org/sites/default/files/Too%20little%20too%20late__FINAL%20-%20June%20%202020_1.pdf
[3] https://www.countycouncilsnetwork.org.uk/give-councils-and-providers-the-tools-to-incentivise-retirement-communities-new-report-argues/

In terms of Covid-19's fiscal impact, forecasts (in June 2020) that the country's economy could shrink by 8% and GDP contract by 11.5% this year[4] are, inevitably, cause for concern.

Globally, the proliferation of digital health technology continues and is set to build exponentially as a result of the virus's impact on care and health provision[5]. At ExtraCare we will continue to explore and deploy smart technology solutions that improve residents' quality of life and reduces the operational costs associated with front line care provision. Digital technology will also support increased efficiency across our management and working practices; this approach has been accelerated as a result of a changed working environment linked to the crisis.

Looking forward, we will continue to monitor and adapt to the economic uncertainties and operational challenges associated with Covid-19 in the knowledge that fundamental demand for our unique model remains strong*. Emerging evidence clearly shows that our residents have been 'safe with us' during the pandemic. We will continue to provide that assurance to them and to the many potential residents who are considering their future in one of our retirement communities.

*More than 10.2 million people aged over 65 live in England[6], and the number of people aged over 75 is likely to double in the next 30 years[7].

Section 172(1) Statement

S172(1) of the Companies Act 2006 requires a director of a company to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the company.

Our residents are our key stakeholders. Reports submitted to our Board for consideration include the requirement to outline any impact on our residents and any consultation that has taken place or is planned. The Board also takes the opportunity after some Board meetings to meet with groups of residents so that their voices are heard directly. When considering our

[4] https://www.theguardian.com/business/2020/jun/15/uk-economy-to-shrink-8-percent-in-2020-with-coronavirus-recovery-not-until-2023-forecasters-say
[5] https://www.ft.com/content/31c927c6-684a-11ea-a6ac-9122541af204
[6] Based on Office of National Statistics estimates for mid-2018: https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/analysisofpopulationestimatestool
[7] Later Life in the United Kingdom Age UK (2018): https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/later_life_uk_factsheet.pdf

response to the Covid-19 pandemic, our actions were agreed after the Board had considered the safety of our residents as paramount. Our staff and volunteers are also key stakeholders and we use our staff survey and internal communication framework to support active, regular and consistent dialogue. For further information on how we as a Charity have engaged with our employees during the year please see section 'Staff engagement' on pages 15-16. Other stakeholder interests, such as those of our funders and suppliers, are also routinely considered and during the pandemic steps were taken to ensure that our business relationships continued as closely to normal as possible. We were able to reassure our Board that arrangements were in place to ensure the payment of our staff and suppliers was uninterrupted during the pandemic.

Our Charity invests in technology to help improve our residents' quality of life and we also consider the impact of our operations on the environment and wider communities. See pages 35-38 for further information on environmental considerations and actions taken in the year, and pages 41-42 for People, Processes and Technology.

Our Trustees believe that, individually and together, they have acted in the way that they consider, in good faith, would be most likely to promote the success of the Charity for the benefits of its beneficiaries as a whole, having regard to the stakeholders and matters set out in S172(1) (a-f) of the Companies Act 2006 in the decisions taken during the year ended 31 March 2020.

Our Integrated Model

Our mission is creating sustainable communities that provide homes older people want, lifestyles they can enjoy and care if it's needed.

Our unique model is based on **Homes**, **Lifestyle** and **Care**:

Homes: Our locations typically offer high-quality apartments for the over 55s; each home is accessible with its own front door, hallway, living room, typically one or two bedroom(s), kitchen and shower room. Most have a balcony or patio. The mix of social rented, shared ownership and full ownership homes supports diverse communities which are available to all. In 2019/20, our Welfare Benefits Advisors identified over £5.6M in benefits to support residents' housing-related costs.

Lifestyle: Our locations provide leisure facilities which promote a healthy lifestyle and typically include: a bistro, café-bar, gym, greenhouse, craft and hobby rooms and village hall. Diverse activities may include: Zumba, choir singing, wheelchair aerobics, writing workshops, intergenerational activities, sociable outings and entertainment.

Volunteering is at the heart of our Charity's ethos, offering opportunities for people to use their skills, build confidence and a sense of self-worth, whilst reducing potential loneliness. Resident and external volunteers provide invaluable support, helping run activities and facilities, or supporting fundraising within our communities or ExtraCare Charity Shops.

Our locations are vibrant social hubs and visitors include children, schools, universities and community groups. Visitors can also use our facilities and gyms as part of an affordable membership that supports our charitable income.

Care: Approximately 20% of our residents require personal care to support temporary or long-term care needs. Each of our locations offers a 24/7 on-site care service which is assessed and delivered by our own staff. Our service is scrutinised by both residents and the CQC.

In addition, every location offers:

A Well-being Service: Operated by a team of Well-being Advisors, this award-winning service offers preventative health advice and promotes healthy life choices.

Enriched Opportunities Programme (dementia care): Implemented through specially-trained staff, our Dementia and Mental Wellbeing Service offers tailored support for residents living with dementia and common mental health conditions, aiming to reduce the impact of dementia and improve wellbeing.

Progress against Corporate Plan targets and objectives

Our Corporate Plan 2017/20 contained 20 Targets and 25 Commitments. Each of these were captured in our annual Business Plans, setting out anticipated achievements in the 12-month period. Progress against all targets and commitments was captured in our balanced scorecard which was reported to our Board and our Committees at every meeting during the Corporate Planning period. We had five key targets for the three years of our Corporate Plan and performance against these is shown below:

Key Target – end of 2020		Baseline	2017/18	2018/19	2019/20
T1 D Develop	**Develop** – five villages and one village extension	N/A	**Achieved** Longbridge (1/5) Bournville Cottages (extension 1)	**Achieved** Hughenden Gardens (2/5) Stoke Gifford (3/5)	**Not Achieved** Bedford Wixams (4/5) Solihull (5/5) on site Earlsdon Park 2 (extension 2) on site
T5 Cq Care quality	**Care Quality** – minimum of overall good (G), with a third of locations achieving outstanding (O) in one domain, and no location at requires improvement (RI). *NB 1: Outstanding overall (Ov) also shown* *NB 2: Baseline and years 2017/18 & 2018/19 include LIFFT locations which transferred out to Midland Heart.*	Ov – none O – none G – 30 RI – none	**Achieved** Ov – 1 O – 2 G – 29 RI – none	**Achieved** Ov – 2 O – 3 G – 20 RI – none	**Not Achieved** Ov – 5 O – 9 G – 13 RI – 1
T6 S Satisfaction	**Resident Satisfaction** 80% in villages 90% in schemes	N/A	**Not Achieved** 73.8% 88.7%	**Achieved** 80.7% 92.5%	**Achieved** 84.5% 91.7%
T13 Sf Staff satisfaction	**Staff Satisfaction** Satisfied with ExtraCare as an employer – 75% Fully committed to the vision – 90%	N/A	**Not Achieved** 63% 81%	**Achieved** 75% 91%	**Achieved** 84% 92%

Key Target – end of 2020	Baseline	2017/18	2018/19	2019/20
Surpluses*	2016/17	**Achieved**	**Achieved**	**Achieved**
Total Surplus (TS): in excess of £10M	TS £6.3M	TS £10.4M	TS £19.1M	TS £20.8M**
Operations Surplus (OS): between £1-3M	OS £3.9M	OS £3.7M	OS £2.4M	OS £4.7M**
** Measured on the previous accounting basis in place when our 2017-20 Corporate Plan was agreed. Operating Surplus is defined in this context as the surplus attributable to the operation of our schemes and villages. See Notes 2 and 35 of the Financial Statements.* *NB 3: Baseline and years 2017/18 & 2018/19 include LIFFT locations which transferred out to Midland Heart.*				***prior to change of accounting treatment for property leases*

Financial Performance

Our financial performance over the last two years is reflected below.

	2019/20	2018/19 restated
Operating deficit	(£3.3M)	(£7.3M)
Total Comprehensive Income	£47.3M	£46.3M
Turnover	£44.2M	£38.2M
Reserves	£247.3M	£200.0M

The table below charts our financial performance over the last five years.

	2019/20*	2018/19	2017/18	2016/17	2015/16
Operating surplus	£22.9M	£21.0M	£12.1M	£9.4M	£6.9M
Total surplus	£20.8M	£19.1M	£10.2M	£7.3M	£5.5M
Turnover	£125.7M	£123.3M	£94.0M	£85.8M	£81.8M
Reserves	£100.7M	£73.0M	£60.4M	£50.7M	£43.4M

*Given our change of accounting the 2019/20 figures in the table above are shown on the previous basis – this is to enable 'like for like' comparisons over the 5-year period. The 2019/20 figures above reflect what our outturn would have been had we not effected the change in our accounting treatment: these 2019/20 figures have not been subject to audit.

Value for Money

Introduction and context

Value for money (VfM) is at the heart of the way we deliver our vision to create better lives for older people. We do this through the design and operation of retirement villages that:

- Are economically and efficiently managed now and in the future; and
- Effectively provide facilities and services to support and enrich the lives of our residents.

Our Corporate Plan 2017-20 lists 20 targets and 25 commitments which underpin our VfM Strategy. We updated our VfM Strategy in 2019 to take account of our improved approach to VfM and progress to date. We have internal VfM metrics with targets and monitor performance against both our own metrics and those set by the RSH. Our Board approves the VfM Strategy and our Corporate Plan and objectives, sets targets and monitors progress using Balanced Scorecards, which are reviewed at each Committee and Board meeting in addition to the VfM targets and actions.

RSH VfM metrics, targets, and performance

For each metric the boxes on the following page present our performance over the last two years, and how we compare to the sector median in 2018-19 (the latest period for which sector data is available). We have compared our performance to the Sector Scorecard results, which analyses data to provide comparisons with other small and specialised providers: we believe this is a more appropriate peer group for ExtraCare than the Global Accounts which includes data for organisations with >1,000 social units. Bearing in mind the uniqueness of our model, we also sought other sources of sector performance data to identify organisations with similarities to ExtraCare, such as those with a high proportion of housing dedicated to Housing for Older People (HfOP) or otherwise Supported Housing. *Sources: Sector Scorecard; HouseMark; Global Accounts; Acuity (Small Providers' Benchmarking); ARCO members' annual reports*

The table on the following page compares our performance against our 2020 targets. These targets were set before the agreed change to our accounting treatment for property leases and as such we have measured performance to show what the outcomes were before this accounting change: this is important to illustrate the extent to which we have achieved VfM. Using the previous accounting treatment for comparison purposes both allows us to track our own progress and compare to our peer groups. Given our need to transition to the new accounting method the metrics for 2020 Actuals and the 2021 Targets are also shown: providing the new baseline for us to set targets and measure performance against for 2020/21 onwards.

We have performed well against the targets we set ourselves in relation to the seven RSH metrics. In five of the seven areas we have exceeded targets. In particular, our high levels of investment (in both new and existing villages) means we continued our strong record of outperforming other providers in this respect. As a result of this whilst hitting our target, gearing remains high in relation to other providers. We have however moderated our ambitions for the coming twelve months as we consolidate after a period of significant new village development. In missing our headline social housing cost per unit target, we are very aware that we need to direct more focus into this area. Plans to reduce costs in 2020/21 should have a positive impact and our target for 2020/21 is in line with the Sector Scorecard benchmark for Supported Housing providers of £6,775, an improvement from our current figure of £6,905.

The review of our accounting treatment highlights the fact that by changing our revenue recognition policy we report an operating deficit thereby showing negative operating margin and ROCE metrics. Some of the services we provide are unfunded or partially funded and are provided to our beneficiaries by us as a charity. This is in line with our charitable purpose whereby funds generated in other areas (e.g. from Retail, fund-raising and property leases) are used to consciously subsidise other core services such as the provision of care to our residents. Much of this funding comes from granting of subsequent property leases which, following the change of accounting for property leases, means that associated revenue is no longer recognised within operating surplus but is part of our overall surplus: this affects the Operating margin metric and ROCE. Plans are in place to improve our underlying Operations profitability and this is shown through our 2021 targets. The Board are satisfied that sufficient overall surpluses are being generated to support the operational deficit.

RSH VfM – metrics, targets & performance	2020 Actual	2021 Target		2020 on old basis*	2020 Target	2019 Actual	2019 Scorecard median
1. Reinvestment	14.5%	15.0%		16.7%	10%	11.8%	5.4%
2. New Supply, Social Housing and Non-Social Housing							
- Social Housing	6.6%	6.9%		6.6%	6.8%	23.4%	1%
- Non-Social Housing	7.9%	6.7%		7.9%	6.8%	23.3%	0%
3. Gearing	26.2%	25.0%		58.5%	70%	67.7%	33.8%
4. EBITDA MRI	-6.0%	0.0%		433.7%	170%	376.5%	197.9%
5. Headline Social Housing Cost per unit	£6,905	£6,775		£5,573	£4,591	£4,926	£3,725
6. Operating Margin							
- Overall	-7.5%	-6.5%		18.2%	15%	17%	25.5%
- Social	25.0%	26.0%		15.1%	14.5%	16.8%	27.2%
7. Return on Capital Employed (ROCE)	-0.8%	-0.7%		7.9%	4.5%	7.6%	3.2%

* We are required to set annual VfM targets in advance of the year and then report against these annually. For 2020 our target was informed by our 2019 performance: this was measured on numbers which were arrived at using our previous accounting treatment. Our change of accounting treatment has an effect on the VfM metrics as our revenue recognition changes. As such the table above shows our 'actual' 2020 performance as this is needed to inform our 2021 target setting, but the table also explains what 2020 performance would have been on the 'old' basis so as to compare to our 2020 target.

ExtraCare VfM metrics, targets, & performance

Our VfM metrics and targets set out below relate directly to our corporate objectives: they seek to clarify and drive economy and efficiency improvements and ensure that the effectiveness of our resident-facing services continue to improve. Our targets are underpinned by a detailed action plan assigning responsibilities and timescales to support sustainable progress and performance is tracked and reported to Trustees quarterly. Some actions extend beyond the end of year and will therefore be adopted into the next Corporate Plan and ongoing VfM objectives.

During 2019/20 good progress was made in some areas with further work needed in others. Against most of our internal targets, improvements were made compared to the previous year, although only three of the seven targets were achieved. We will direct further focus during 2020/21 to ensure that void levels reduce (allowing for the impact of Covid-19) and that we accelerate the consistent reduction in energy usage.

ExtraCare VfM – metrics, targets & performance	2020 Actual	2020 Target	2019 Actual		2021 Target
1. Arrears (reduce value of payments due)	3.18%	3.00%	3.26%		2.75%
2. Rental Voids (reduce average period for re-let)	8.3 weeks	4 weeks	12.8 weeks		8 weeks*
3. Operations Surplus	£4.7M	£1-3M	£2.4M		£1-3M
4. Loan to Value	55.3%	60%	57.0%		50%
5. CQC rating Good or Outstanding	95%	100%	100%		100%
6. Resident experience rating at villages	84.5% Villages 91.7% Schemes	80% Villages 90% Schemes	80.7% Villages 92.5% Schemes		80% Villages 90% Schemes
7. Reduce energy usage	-3.2%	-10%	-5%		-2%

*With a three-month interruption in letting due to Covid-19 we have set a target that stretches us, but that is achievable.

Social and Environmental value

We commissioned Aston and Lancaster Universities to research the value of our model on lifestyle; the resulting report demonstrates how our approach to integrated housing, care and support improves older people's lives delivering measurable positive health outcomes, and significant cost savings for the social and health care system. New ExtraCare residents were monitored over a 3-year period, alongside a comparable group of volunteers living in independent dwellings and standard sheltered accommodation.

Key findings of the study:

- Our residents cost the NHS 38% less per annum (46% less GP visits, less and shorter hospital stays from 8-14 days to 1-2 days);
- Exercise by ExtraCare residents increased by 75%, linked to this frailty can be delayed or reversed and the risk of falls reduced by 18%;
- Anxiety symptoms decreased by 23%, while memory improved by 24%, amongst ExtraCare residents; and

- 85.5% of residents never or hardly ever feel lonely.

These findings are vital in informing our future investment and service design decisions, and we believe they will be invaluable to policy makers and in assisting those who make decisions about their own housing and that of their older relatives or friends.

Volunteering is one of the areas proven to benefit the individual, as well as the community. Volunteers work in a diverse range of roles including in our shops, manning village receptions and serving in village bistros. At the end of March 2020, we had 2,169 active registered volunteers contributing £4.441M in value to the Charity (this value is arrived at by multiplying the number of hours contributed by our volunteers by the lowest hourly rate paid).

Managing Key Risks and Uncertainties

We recognise that our approach to risk management needs to be robust and effective and during 2019/20 we updated our risk management approach to further develop and embed risk management as we enter 2020/21. Our Board revisited their risk appetite for each risk type using a Red Amber Green (RAG) rating and HM Treasury definitions. This informed our strategic risk register whilst framing the ambitions for our next Corporate Plan. The Board has a mixed risk appetite ranging from:

- Areas where only a minimal or low level of risk is acceptable, such as legal and regulatory, reputation and service quality risks;
- Areas where a willingness to engage with risk to achieve our objectives is a necessary aspect of the activity undertaken, such as our development programme or from granting property leases; or where the risk as a component of our independent living model, such as resident wellbeing; and
- Areas where a higher level of risk is accepted, such as research and innovation where outcomes are inherently uncertain.

Our Board consider the principal risks faced by the Charity to be those outlined below:

<table>
<tr><th>Risk</th><th>Appetite</th></tr>
<tr><td>Legal & Regulatory Compliance</td><td>Averse</td></tr>
<tr><td colspan="2">Serious/major non-compliance with Legal and Regulatory requirements results in reportable breaches/incidents, potential investigations/sanctions/fines, reputational damage and a weakened ability to deliver Corporate Plan objectives, targets and commitments.

Mitigation and management measures include:
• Strategies and supporting policies and procedures/work instructions;
• Training, awareness and evaluation of ExtraCare personnel;
• External/Third Party visits/inspections/reviews/advice; and
• Internal compliance processes and related procedures.</td></tr>
<tr><td>People and Culture</td><td>Cautious</td></tr>
<tr><td colspan="2">Failure to align our people and culture (as a shared set of values, beliefs, systems, practices,</td></tr>
</table>

Risk	Appetite
underlying assumptions, attitudes and behaviours) undermines delivery of strategic goals and Corporate Plan objectives, targets and commitments (e.g. as key employees become disengaged/dissatisfied and leave, behaviours slide, clarity and mission is lost). Mitigation and management measures include: • ExtraCare culture reinforced internally (amongst personnel and residents) and externally (through outward/public facing channels); • Structure and succession planning supported by Organisational Design and our talent pipeline; • Development and implementation of a People Strategy that recognises the importance of diversity approved by the Board; and, • Independent/third party review and assurance provided (e.g. Investors in People).	
Funding Streams	Cautious
Marked decrease in funding at locations, including funding levels from local authorities (care and or housing), loss of care contracts and marked reduction in other location income (e.g. lifestyle services such as catering, gyms and retail outlets), leads to a reduced ability to support the Charity's activities at locations and deliver related Corporate Plan objectives, targets and commitments. Mitigation and management measures include: • Strategies for Care & Support and Commercial; • Charging policies for Property & Care and Lifestyle; and • Community fee.	
Cash flow	Cautious
Financing secured through borrowing and income from granting of property leases is insufficient to support our funding needs, resulting in failure to meet the development programme, lack of key stakeholder confidence, a poor regulatory viability grading and affects delivery of related Corporate Plan objectives, targets and commitments. Mitigation and management measures include: • Funding in place to provide adequate total facilities; • Regular review of cashflow requirements; • Active treasury management supplemented by specialist advice; and • Regular reporting to Executive Leadership Team (ELT), Audit and Assurance Committee, and Board.	
Property Market Exposure	Cautious
A significant or sustained deterioration in the housing market (falling property prices/economic pressures/stagnation) produces reduced levels of initial and subsequent property leases granted, limiting cash to support debt financing, reinvestment and achievement of related Corporate Plan objectives, targets and commitments. Mitigation and management measures include: • Close monitoring and review of the property lease pipeline and its components;	

Risk	Appetite
• Headroom maintained between available facilities and borrowings; and, • An agreed mitigation plan which can be invoked when required.	
Development	Cautious
Challenges in securing land and/or financing, combined with uncertainty (in the housing market/demand/economy/construction industry) causes delays (in the construction/ opening/extension or refurbishment of villages), impacting income, cashflow, resident satisfaction, reputation and delivery of related Corporate Plan objectives, targets and commitments. Mitigation and management measures include: • Development appraisal model in place; • Approval required from Board of Trustees for new village developments; • Regular review of cashflow requirements; • Contract management processes; and • Parent company guarantee in place for construction partner/company.	

In March 2020 the Board added an additional risk to the Strategic Risk Register considering Covid-19's classification as a pandemic and the potential wide-ranging, and serious, impact it could have for the Charity. It is likely we may, at various points in the future, need to evidence or justify elements of our response and we have undertaken a comprehensive evaluation of our Covid-19 response. Equally, we will need and want to learn lessons from this experience, in order to avoid repeating any mistakes or reinventing the wheel when we respond to future waves of Covid-19, or indeed when responding to other crises. In addition, there may be response measures we should embed into our 'business as usual' operations, as they have shown to bring general benefits.

The aim of our evaluation is to provide us with a clear and consistent reference guide to the plans, actions, evidence, impact and evaluation of our Charity's response. The objectives of this evaluation are to:

1. Evidence due diligence in Governance, Health & Safety, and legal compliance;
2. Evidence the financial impact and response;
3. Evidence the impact on business continuity;
4. Evidence the resident experience; and
5. Capture any lessons learned.

Our existing financial mitigation plans and infection controls plans gave the Charity a strong base to quickly build a robust response to risks presented. Our cash balances were never below £4M, and our ratio of our cash held compared to our average weekly spend (exclusive of contractor payments and buybacks) improved over the period; starting at 3.95 times average weekly spend at 5th March and increasing to 7.08 times by 29th May.

We are now focussed on carefully managing the easing of restrictions so as not to put our residents and staff at risk. We are taking a staged approach to resuming business as usual tasks in order to reflect government advice and to continue to manage the risk of the spread of the virus in our locations. The numbers of (initial and subsequent) property leases that we have granted, and our levels of lettings are steadily increasing. We have put in place a one-year business plan focused on remaining resilient through this period and we are using the evaluation of our response to the first wave of the pandemic, combined with learning from other similar providers, to put in place further mitigations to protect the Charity against the impact of a potential second wave. The wider societal impact of Covid-19 (such as social isolation, the impact on mental health, and the delay in treatment of existing and new medical conditions) is only starting to be borne out.

Risk	Appetite
Infectious Disease (epidemic/pandemic)	Cautious

Failure to plan adequately for risk management of epidemic or pandemic infectious disease outbreaks (both established e.g. influenza or emerging/novel e.g. Covid-19) impacts significantly on ExtraCare's operations and corporate activities, threatens delivery of Corporate and operational objectives, plans and targets and jeopardises the Charity's continued viability.

Mitigation and management measures include:

- Scenario planning for Covid-19 in early March to identify key risks and actions needed;
- Covid-19 Governance Team established with daily meetings in phase one (11th March to 1st June);
- Mitigation Plan utilised to support financial resilience including building cash reserves;
- Dedicated resources deployed to focus on PPE procurement and management;
- Robust infection prevention and control plans implemented across locations and Head Office ensuring safety of residents and staff;
- Continuity plans adopted for key services to ensure our obligations to residents and regulators continued to be met in a way that reduced the spread of the virus;
- Adoption of an agile approach to adapt to the latest guidance, complimented by consistent messaging and effective communications;
- Targeted application for financial support to cover additional expenditure during this time and freeze to non-essential budgets; and
- Monthly Board meetings and weekly updates to Trustees in phase one (11th March to 1st June) ensured appropriate levels of governance throughout a period of uncertainty.

Internal Audit

Our internal audit function is outsourced. In line with an approved Internal Audit Plan, our internal auditors assess the design and effectiveness of our risk management and internal controls, reporting to the Audit & Assurance Committee. Following a retender process, a new provider (TIAA) commenced in January 2020 and, therefore, had not undertaken sufficient work on which an annual Internal Audit opinion could be provided. An annual Internal Audit opinion will be provided by TIAA for 2020/21.

Through a combination of reviewing assurance ratings from the reviews completed by the outsourced provider (BDO) in post for the period April to December 2019, assessing the status of implementation of agreed actions, and discussions with both outsourced providers in post during the year, the Head of Assurance has assessed that, overall, the framework of governance, risk management and control was 'suitably designed' and 'operated with sufficient effectiveness to provide reasonable, but not absolute assurance' during 2019/20.

Our Board of Trustees has:

- Considered the major risks to which the Charity is exposed;
- Satisfied themselves that systems or procedures are established to manage these; and
- Recognised that these will be strengthened further as the outputs from planned 2020/21 risk management review activity are delivered.

Developing Villages

Developing high quality, accessible and attractive villages with homes older people want is an essential component of the overall success of our Charity. Income from granting of initial and subsequent property leases and from property rental is a major contributor to our overall surplus which underpins our ability to offer a range of high-quality charitable services and to ensure our buildings are maintained to a high standard.

Portfolio Development

We are just coming to the end of a significant phase of development (six villages opened in the last four and a half years) and have only one village (Solihull) and one village extension (Earlsdon Park 2, Coventry) currently on site. 2019/20 saw the successful continuation of this growth programme as we expanded our portfolio of villages by constructing and opening:

- **230** apartments in Wixams Village, Bedford (opened June 2019).

In addition, we progressed construction on (or have planning for) an additional **383** properties in total. This is made up of:

- 261 apartments in Solihull Village (opens early 2021);
- 60 apartments in Earlsdon Park Village Phase 2 (opens November 2020); and
- 62 apartments in Bedford Wixams Village Phase 2 (planning achieved February 2020).

We continue to look for new development opportunities working closely with local authorities, developers, housebuilders and construction partners to identity new village sites and extension opportunities. We will continue to build on our clustering methodology by developing sites which allow us to maximise our operating efficiencies and is in line with our recent village openings of approximately 260 properties. Our site identification matrix includes clustering with this being one of several considerations we take into account when deciding where to develop.

Construction and Building Innovation

We are continually exploring ways to improve our approach to construction and are investigating the benefits of modern methods of construction, such as panelised and modular build, with a view to reducing the time on site and the impact of noise and disruption to existing residents without compromising quality. This is particularly important for locations where we invest in extensions to existing villages. Our innovation strategy continues to drive change within our villages and ensures our buildings meet our current and future customers' expectations.

Modernisation

We have continued our investment in our existing villages in improving our village desirability by continuing our modernisation programme. This year we have commenced the modernisation of our Pannel Croft village with this work continuing into 2020/21. The investment of £800K for the modernisation of the communal facilities, restaurant/bistro and village centre is breathing new life into this thriving, energetic community. The new design will see the village centre be a more open and inviting place where residents and their family can relax and enjoy the communal facilities. The project started in February 2020 and was temporarily paused at the height of Covid-19 as we restricted non-essential work at our locations: the project was completed in the Summer of 2020.

Initial Property Leases

2019/20 has been another busy year for ExtraCare with programmes ongoing in five locations for the granting of initial property leases. This tends to take 18-24 months at a new development for all initial property leases to be granted.

- Hughenden Gardens – 174 of 205 initial property leases granted (85%);
- Stoke Gifford – 103 of 180 initial property leases granted (57%);
- Bedford Wixams Village – 108 of 184 initial property leases granted (59%);
- Solihull Village (opening January 2021) – 60 out of 209 properties reserved*; and
- Earlsdon Park PH2 (opening November 2020)– 26 out of 60 properties reserved*.

**As at 31st March 2020*

We have generated £54.45M of cash from the granting of initial property leases across Hughenden Gardens, Stoke Gifford and Bedford Wixams Village in 2019/20.

Subsequent Property Leases

Our net cash generation target for the granting of subsequent property leases during 2019/20 was £4.0M. This was a consciously prudent budget set by the Board following stress testing in order to mitigate any reliance on there being a net cash inflow from granting of subsequent property leases and has been an approach mirrored for our 2020/21 budget: a decision which was helpful to mitigate our exposure to Covid-19. For 2019/20 our final position (at 31 March 2020) showed that we achieved £7.35M net cash inflow for subsequent property leases granted. 136 subsequent property leases were granted during the 2019/20 year, which was an increase of 6.3% from 2018/19.

Operating Villages

Operating our villages and schemes is key to developing and offering the setting in which our residents can enjoy an active and fulfilling lifestyle in the reassuring knowledge they can access good quality care as and when they need it in the comfort of their own home.

Engaging customers/resident satisfaction

Residents have an extensive menu of involvement options at ExtraCare, both locally and organisation wide. Residents can influence the local management of their services through Residents' Associations, as well as through 'We're Listening' feedback surveys, recruitment panels, monthly street meetings, local groups and volunteering. Corporately, they influence ExtraCare's policies via our Residents' Forum, topic groups and scrutiny exercises.

The Residents' Forum acts as the principal representative body for the purpose of consultation with residents concerning service delivery, performance and strategic plans. Based on feedback from residents we have made some changes to the Forum this year: these changes make its remit clearer including how we will consult the Forum on key policy changes and to ensure a formal link between the Forum and with Residents' Associations. We have embedded this within a new Engagement Policy, developed in partnership with residents. The policy supports our aim of working in partnership with residents to create strong and cohesive communities and improve residents' experience of living in an ExtraCare location. We continue to monitor resident satisfaction, via 'We're Listening' real-time feedback surveys. Resident satisfaction this year has risen and is now above our ambitious Business Plan Targets.

- **Schemes 91.7%:** 1.7% above the 90% Corporate Plan target; and
- **Villages 84.5%:** 4.5% above the 80% Corporate Plan target.

Care Quality

The challenging targets set for our care quality have been achieved with one exception within increasingly difficult care market conditions. We are very proud that at the 31 March 2020, 18 of the 19 inspected locations were rated 'Good' or 'Outstanding' by the CQC. Our newest village, Bedford Wixams, has not received their inspection. During 2019/20, 12 of our locations were inspected by the Care Quality Commission. Three of our villages – Brunswick Gardens, Hagley Road and Lovat Fields – achieved 'Outstanding' overall. Eight were rated 'Good' overall and one was rated 'Requires Improvement'. This brings our overall ratings to:

- Five 'Outstanding' overall: Brunswick Gardens, Hagley Road, Lovat Fields, Reeve Court and Shenley Wood;
- 13 'Good' overall: Bournville Gardens, Earlsdon Park, Hughenden Gardens, Humber Court, Lark Hill, Longbridge, New Oscott, Rosewood Court, Stoke Gifford, St Oswald's, Sunley Court, Verona Court and Yates Court;
- Four of the 13 rated 'Good' overall were rated outstanding in one domain;
- One rating of 'Requires Improvement' – Pannel Croft (remedial action has been taken and a CQC reassessment is pending); and
- One service not inspected yet – Bedford Wixams.

Location Surpluses

Historically, our overall Operational financial performance has benefitted to a great extent from net cash inflow generated by granting of subsequent property leases alongside a conscious charitable contribution. For 2019/20 we have focused on driving financial viability in all our locations, recognising that the variation in population circumstances means some may find it harder to achieve a surplus than others. In terms of our finances, internally we define our core operational activity to be comprised of surpluses generated from Operations plus the net cash inflow from granting of subsequent property leases: we do not define development profits (initial property leases granted) to be core to our business as they would not continue if our developments stopped. We now separate the net cash inflow from granting subsequent property leases from Operations to provide us with transparency on what we have termed 'underlying operational performance'. Doing so helps us to identify variation, underperformance, and opportunity and we have introduced a series of measures to improve financial performance within Operations, and will continue to do so.

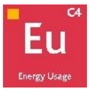
One of the measures taken to address the underlying Operational deficit, was our Care and Support Strategy. This was introduced in 2019/20 and built on the objectives of care remaining core to what we do, care and support services being viable and enhancing our services offer. This Strategy focuses on our care and support services going forward and how they will be funded. It recognises that the long-term financial viability of our model is dependent on making those services as cost effective as possible, without diminishing their quality or the significantly positive impact our integrated model of homes, lifestyle and care has on our residents and other stakeholders. Initiatives have included increasing the rates for self-funders and increasing their numbers, gaining hourly rate uplifts from local authorities and improving our turnaround of voids. In tandem, we now have a Commercial Strategy which adopts a robust commercial approach and includes ways to maximise commercial opportunities that will contribute to our long-term financial viability as a Charity, focussing on new or improved services that are attractive to residents, sustainable and affordable. In our locations, this Strategy is led by our Lifestyle Managers, who are 'front of house' and run our bars and bistros, gyms and retail outlets.

Streamlined Energy and Carbon Reporting

As a Charity we are committed to improving our environmental performance and reducing our carbon footprint. Our 2017-20 Corporate Plan introduced targets around energy and the table below shows how we have performed against these.

Target	2017 -18	2018-19	2019-20
All new villages or village extensions will meet the 'Fabric First' environmental build policy – minimising the energy demand of our new buildings.	Not reported.	In constructing our new villages and extensions we: • Aligned with Fabric First principles to minimise energy demand; • Maximised the thermal properties of the structure; • Worked to achieve high air tightness, and utilise insulation with high values; • Aimed for BREEAM 'very good' standards; and	We constructed new villages and extensions in line with Fabric First principles to minimise the energy demand of our new buildings and maximise the thermal properties of the building structure. We worked to: • Achieve excellent levels of air tightness; • Utilise insulation; and, • Achieve BREAM 'very good' standards. We explored further

Target	2017 -18	2018-19	2019-20
		• Specified LED (Light Emitting Diode) lighting in new Villages. We explored ways of making developments more energy efficient e.g. investigating the benefits of solar power generation; replacing traditional lighting with LED lighting; and movement sensors for lighting.	improvements in energy consumption and the use of solar panels for our Birmingham cluster. LED lighting was introduced in all new villages as standard. Infrastructure for electric car charging was incorporated and individual metering for all village extensions from Hughenden Gardens Village onwards.
Each village scheme will reduce its energy usage by 10% and increase its recycling by 15% by the end of the corporate plan period.	Energy – Total energy usage down by 1%. Recycling – Performance reporting in development. Use of a new waste management supplier and an enhanced focus on energy management and recycling.	Energy – Overall the 2018/19 energy usage c. 5% lower than the 2016/17 base year. Recycling – Progress made in increasing the volume of recycling through targeted initiatives such as: • Residential waste recycling chutes at Hagley Road Village; • More recycling points such as bins for electrical items; and • Resident energy & recycling interest groups.	Energy – Overall the 2019/20 net energy usage (electricity and gas combined) was 10% lower than for 2018/19. Recycling – Strong progress made in recycling with an overall average of 43%. In-year increase of 13% in recycling achieved with 50% of waste recycled at year-end. Annual average of 7.5% of waste going to landfill with a 3% in-year reduction in waste to landfill achieved. Promotion of recycling within Locations continues to remain a high priority. New villages built to include integral recycling chutes which support

Target	2017 -18	2018-19	2019-20
			easy separation of recyclables by residents.
 **Track energy usage and environmental performance of locations and between locations.**	Baselined and started tracking energy usage and environmental performance. Total energy usage down by 1%.	Energy saving initiatives and awareness raising activity started to deliver results. Overall the 2018/19 energy usage *c.* 5% lower than the 2016/17 base year.	Activities and initiatives to further promote energy saving and increase awareness continued to have an impact. Consumption of gas decreased by 13%, whilst that for water reduced by 8%. Overall energy usage 10% lower.

Our 2020/21 Annual Business Plan commits us to baseline the six carbon reporting categories and reduce the use of 'single use plastics' by 50%. The six categories are: greenhouse gases; water; waste; materials and resource efficiency; biodiversity/ecosystem services; and emissions to air, land, and water. We are not yet able to report upon these categories and this will be a focus of activity for 2020/21. This baselining will inform our 2021-26 Corporate Plan where we will set ourselves ambitious environmental targets.

Environmental Performance

We construct our new villages and extensions in line with Fabric First principles to minimise the energy demand of our new buildings. We continue to explore alternative green energy solutions including solar power and ground source heat pumps. The villages that have been developed and opened in the last 3 years have been designed with energy efficiency in mind: Earlsdon Park, Longbridge, Hughenden, Stoke Gifford and Bedford Wixams villages have LED lighting throughout, including the external car park lighting. All new villages have been developed with the infrastructure to support electric car charging. New villages also have the ability for individual heat/water/electric metring installed should we decide this is required to reduce energy usage.

Energy Consumption

We have been monitoring our energy consumption as we set ourselves an ambitious energy saving target in the 2017-20 Corporate Plan to reduce consumption across our estate by 10% by the end of the period. We made investments in energy reduction initiatives (e.g. LED lighting and movement sensors to control lighting) and there remains further work to be undertaken to improve consumption levels into 2020/21 and beyond.

Our total expenditure on energy (electricity and gas) in 2019/20 was £4.3M and we recognise that reducing consumption will reduce our costs whilst having a more positive impact on our environment. Our more recent village developments have been designed with energy efficiency in mind and we commissioned an approved energy auditor (in accordance with the EU Energy Savings Opportunity Scheme (ESOS)) to analyse our 2018/19 energy consumption: this helped identify opportunities for us to optimise our building management systems and equipment. Our Energy Group is developing an action plan based on the ESOS report to help us achieve further energy savings going forward. For 2019/20 we have reviewed total consumption per apartment enabling us to better understand outliers and opportunities to reduce consumption. We will use 2020/21 to review and baseline our consumption across our locations to inform meaningful areas for focus.

Water consumption

Work is to be undertaken to review and benchmark our water consumption across our locations to both plot and understand year on year movements within locations, but also understand variations across locations, especially those of a similar size. This will help us to understand where we have outliers and in turn opportunities to reduce our water consumption.

Recycling & Waste

Our 2017-20 Corporate Plan included a target to increase recycling by 15% over the planning period. New villages have integral waste chutes to separate recyclables from general waste and five villages dedicate over half their waste capacity to recycling bins. Recycling is discussed at resident meetings to encourage all residents to recycle more, and support provided to those struggling to separate or carry items to recycling points. As a result:

- Residential recycling capacity grew from 36% of total waste capacity in 2016/17 to 41% in 2019/20; and
- Commercial waste recycling capacity grew from 30% (2016/17) to 45% (2019/20).

There remain further opportunities to increase and broaden our range of recycling and this will continue to be an area of focus for 2020/21.

Intensity Ratios

We have identified three intensity ratios to report on our environment impact and will report upon electricity, gas and water. Data will be normalised by dividing the consumption of input for electricity, gas and water by an activity metric which will be the total floor space of each location. We will report upon these ratios from 2020/21.

Emissions Disclosures

Our 2019/20 energy usage did not exceed 40,000 kWh (kilowatt-hours).

Supporting Villages

We are proud of our charitable status. We make surpluses from some areas of activity which are then used to subsidise other services which as a charity we provide to our beneficiaries. Through this subsidy we, as a charity, can deliver vital care and well-being services and keep them affordable and accessible to all our residents, regardless of their background and circumstances. We would not be able to continue to grow and improve these services, which are proven to be key to the health and wellbeing of residents, without the dedication, generosity and support of our donors, residents, staff and community volunteers, and our external supporters.

Volunteering

Volunteering is at the heart of our ExtraCare communities. Volunteers help us in areas ranging from our charity shops, location facilities such as gyms, bistros and reception, events and activities and befriending and fundraising. Not only are volunteers invaluable to keeping our shops open and our locations running smoothly, volunteering also brings great mental and physical benefits to those who volunteer. Every year, volunteers are recognised in our Liz Taylor Award scheme, and in 2020 one of our longstanding volunteers was invited to the Queen's Garden Party in recognition for their volunteer contribution, although sadly this party was cancelled.

ExtraCare Charity Shops

ExtraCare Retail Ltd, through its 51 charity shops, generated a £229K profit (after tax) in 2019/20 for donation to the Charity. This was a strong performance, particularly considering the general downturn on the high-street and the impact of Covid-19, which resulted in reduced footfall before shops were instructed to close on 23 March 2020 in line with government regulations. Our shops reopened on 15 June 2020 when they were permitted to under government guidance. A new Retail Strategy had been agreed between the Retail and Trust Board, focusing on closing any underperforming shops and developing the more profitable shops.

2020/21 will be unpredictable with both challenges and opportunities. Challenges relate to the impact of Covid-19 on consumer behaviour after lockdown, and the way new restrictions around social distancing and infection control may affect trade. Opportunities include the likely spike in donations post-lockdown, the increase in people needing to shop for value, a trend away from the 'throwaway' culture, and opportunities for on-line sales. There is also a strong case for public support for a charity that helps older people, who have been particularly vulnerable during the crisis.

Fundraising Activity

Our Charity raised £95K in 2019/20 through resident fundraising, trusts, foundations, challenge appeals and our corporate donations. Highlights include:

- Fundraising activity in our locations raised over £26K thanks to the input, creativity and enthusiasm of our residents;
- We organised our first fundraising golf event, in partnership with Vistry (our construction partner and formerly named Galliford-Try Partnership), raising £7.5K; and
- Following his participation in the 2019 Virgin London Marathon, our Chief Executive was presented with an award for raising the highest sum for a 'Silver Bond' charity (£57K); this awarded ExtraCare a free place to participate and fundraise in the next London Marathon.

Funds raised through our charity shops (ExtraCare Retail Ltd) and fundraising activity contributed £701K to reduce our fundraising shortfall with respect to our Care, Wellbeing, Dementia and End of Life Support services. In 2020/21, we will work in partnership with universities to specifically raise funds to develop and promote innovative and collaborative approaches to delivering health and social care to older people.

Marketing and Communications

Highlights in the year include development of:

- Our Marketing Strategy, bringing together our marketing activities, brand guidelines, messages, audiences and priorities;
- Our Stakeholder Strategy, raising our profile and maintaining strategic partnerships that are critical to our operation and development;
- Internal communication across multiple channels including Workplace (our internal social media channel) to continue to support staff engagement. This work was an invaluable basis from which we developed a comprehensive programme of daily staff communications during our Covid-19 response; and
- A crisis media procedure aligned with business continuity planning and supplemented by media training to senior staff. This was then tailored to support our Covid-19 response.

Research and Innovation

During 2019/20, we focused on the introduction of enabling technologies to support our residents' independence, developing an accessible design standard for our facilities and apartments. This work embeds the latest thinking and technologies to create attractive spaces that are suitable and adaptable for people of varying, and possibly evolving, physical and mental abilities and preferences. In particular:

- We created an innovation apartment in Stoke Gifford and Bedford Wixams Retirement Villages, in partnership with the UWE Bristol Robotics Laboratory. Innovation apartments provide a powerful way to showcase technology applications in new villages. For established locations, we have successfully piloted a 'smart market' which allows residents to access technology devices and explore their ease of use and benefit;
- We trialled technology applications that have specific advantages for our residents. They include sensors, which monitor temperature, light, sound and movement. They help identify and address issues such as sleep disturbance and have helped manage resident movements during the Covid-19 lockdown; and
- We also introduced the 'Rollerscoot'; an upright, foldable walking aid which can replace a mobility scooter whilst maintaining or improving core and upper leg strength.

In line with our charitable ethos, we have the aspiration to constantly improve our 'offer' to current and future residents and to wider society. For 2020/21, our ongoing focus on research and innovation will be an important part of making this aspiration a reality.

Project Management

The Project Management Office has introduced an Agile process, with a focus on realistic resource planning, systematic review and approval of project stages, together with a strong focus on benefits realisation. With support from the Project Management Office, work on our Enterprise Architecture and Digital Roadmap is being developed to help determine the right content and sequence of our IT and digital activities. For 2020/21, the Project Management Office approach will help prioritise those projects which will return the greatest benefits in times when our staff and financial resources may be more stretched.

People, Processes and Technology

People

Our strength lies in the quality and commitment of our workforce and volunteers. Creating the right environment for our customers depends on the collective effort of all our colleagues. The 'Investors in People' (IiP) award is a recognition of good practice in how an organisation engages with, enables, develops and supports its people; in 2019/20 we maintained our IiP Gold Award status.

Our 2019/20 staff survey showed that:

- **84% of our employees are satisfied** with ExtraCare as an employer – our target was 75%. (2018/19 staff survey result: 75%); and
- **92% of our employees are fully committed** to our vision – our target was 90% (2018/19 staff survey result: 90%).

The 2019/20 survey response rate was 57% compared to 52% in the previous year, illustrating increased staff engagement.

Overall staff turnover decreased from 30.4% in 2018/19 to 25.0% in 2019/20. Several initiatives support this reduction in staff turnover such as: a 'Golden Hello' scheme providing financial incentives for care staff; the ability for staff to buy and sell annual leave; and an increase in holiday entitlement for our frontline location staff. We also established a Senior Management Team, with a leadership training programme and mentoring opportunities to support the development of senior staff. We implemented a pay increase of 5% for all frontline non-supervisory staff in April 2019 and 2.5% for all other employees.

IT and Digital

Delivery against our IT Strategy has continued during 2019/20, with a focus on improvement of processes to ensure we have a secure and scalable platform to build upon. We delivered a Multi Factor Authentication solution which provides additional protection for our login systems. We also developed more in-depth simulated 'phishing' and 'vishing' exercises to promote staff awareness around security and potentially fraudulent behaviour. We have now updated our end-user hardware (where appropriate) and have used later versions of software which ensure ongoing support and security protection is in place. Once again, we achieved the external accreditation of 'Cyber Essentials Plus'.

Our 2017-20 Corporate Plan committed us to improving our digital maturity. In 2019/20 a plan was approved, and we developed a single digital database for customers and volunteers. We also made progress in transforming our locations into cashless environments whilst invested in developing the digital skills of our residents. We will continue to step up our investment in digital maturity throughout the next Corporate Plan.

We are developing an Enterprise Architecture and Digital Roadmap which will provide a set of principles to aid us in future system selection. Covid-19 and remote working also presented us with the opportunity to test our IT arrangements and will be used to inform our priorities. We are to develop a 'phased road map' which will be aligned to our next Corporate Plan. This work will form the basis for the creation of a new combined IT and Digital Strategy.

On behalf of the Trustees:

Paul Jennings – Chair
28 October 2020

THE BOARD'S RESPONSIBILITIES IN THE PREPARATION OF ACCOUNTS

The Board as trustees (who are also the directors of The ExtraCare Charitable Trust for the purposes of company law) are responsible for preparing the Report of the Board and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company, housing and charity law requires the Trustees to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the income and expenditure of the group for that period. In preparing those accounts, the Trustees are required to:

a. select suitable accounting policies and then apply them consistently;

b. observe the methods and principles in the Statement of Recommended Practice 'Accounting by Registered Housing Providers Update 2018';

c. make judgements and estimates that are reasonable and prudent;

d. state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

e. prepare the accounts on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the ExtraCare Charitable Trust website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE EXTRACARE CHARITABLE TRUST

Opinion

We have audited the financial statements of The ExtraCare Charitable Trust Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2020 which comprise the Consolidated Statement of Comprehensive Income, the Group and Charity Statements of Financial Position, the Group and Charity Statement of Changes in Reserves, and the Consolidated 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 Group's and the Parent Company's affairs as at 31 March 2020 and of the Group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006, 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company'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 Trustees are 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Board has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Report of the Board.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Respective responsibilities of Trustees

As explained more fully in the Trustees' Responsibilities Statement set out on page 43 the Trustees (who are also the Directors of the Company for the purposes of company law) are 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 Trustees 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 Trustees are responsible for assessing the Group's and Parent Company'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 Trustees either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed auditors under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts.

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: https://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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

KEITH WARD (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

29 October 2020

Consolidated statement of comprehensive income
For the year ended 31 March 2020

	Note	2020 £'000	restated* 2019 £'000
Turnover	3	44,170	38,192
Operating expenditure	3	(47,484)	(45,531)
Operating deficit		**(3,314)**	**(7,339)**
Interest receivable		18	332
Interest and financing costs	5	(4,174)	(3,477)
Increase in fair value of investment properties		47,886	63,263
Surplus before tax	8	**40,416**	**52,779**
Taxation	27	(45)	-
Surplus for the year		**40,371**	**52,779**
Other comprehensive pension expenditure	22	-	(3,830)
Defined benefit pension costs recognised in other comprehensive income	22	6,942	(2,661)
Total comprehensive income for the year		**47,313**	**46,288**

The results for both years are wholly attributable to continuing activities.

The notes on pages 51 to 81 form part of these financial statements.

* The comparative financial information for the year ended 31 March 2019 has been restated. Further details can be found in notes 2 and 35.

These financial statements were approved by the Board of Directors on 28 October 2020 and signed on its behalf by:

Paul Jennings
Chair

Mary Martin
Trustee

		Group		Charity	
			restated*		restated*
		2020	2019	2020	2019
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	9	125	198	125	198
Tangible fixed assets	10, 12	178,581	178,571	178,581	178,571
Investment properties	11	650,603	567,255	650,603	567,255
		829,309	**746,024**	**829,309**	**746,024**
Current assets					
Stocks and assets held for disposal	14	132	120	-	-
Trade and other debtors	15	3,378	3,917	3,342	3,839
Cash and cash equivalents		5,202	2,715	5,189	2,656
		8,712	**6,752**	**8,531**	**6,495**
Creditors: Amounts falling due within one year	16	(403,407)	(348,471)	(403,243)	(348,231)
Net current liabilities		**(394,695)**	**(341,719)**	**(394,712)**	**(341,736)**
Total assets less current liabilities		**434,614**	**404,305**	**434,597**	**404,288**
Creditors: Amounts falling due after more than one year	17	(182,514)	(191,626)	(182,514)	(191,626)
Defined benefit pension liability	22	(4,759)	(12,640)	(4,759)	(12,640)
Other provisions	23	(50)	(61)	(50)	(61)
Total net assets		**247,291**	**199,978**	**247,274**	**199,961**
Capital & reserves:					
Restricted reserves	21	6,606	6,671	6,606	6,671
Revenue reserves		240,685	193,307	240,668	193,290
		247,291	**199,978**	**247,274**	**199,961**

Company registration number: 2205136

* The comparative financial information for the year ended 31 March 2019 has been restated. Further details can be found in notes 2 and 35.

The Charity's surplus for the year was £40,371K (2019: £52,779K restated) and total comprehensive income was £47,313K (2019: £46,288K restated).

These financial statements were approved by the Board of Directors on 28 October 2020 and signed on its behalf by:

Paul Jennings
Chair

Mary Martin
Trustee

The ExtraCare Charitable Trust
Statement of changes in reserves
As at 31 March 2020

	Group		Charity	
	restated*	restated*	restated*	restated*
	Restricted reserve £'000	Income and expenditure reserve £'000	Restricted reserve £'000	Income and expenditure reserve £'000
At 1 April 2018 as presented	9,276	51,169	9,276	51,152
Prior period adjustment	(2,408)	95,653	(2,408)	95,653
At 1 April 2018	6,868	146,822	6,868	146,805
Surplus for the year	-	46,288	-	46,288
Transfer to/from restricted reserves	(197)	197	(197)	197
As at 31 March 2019	**6,671**	**193,307**	**6,671**	**193,290**
At 1 April 2019	6,671	193,307	6,671	193,290
Surplus for the year	-	47,313	-	47,313
Transfer to/from restricted reserves	(65)	65	(65)	65
As at 31 March 2020	**6,606**	**240,685**	**6,606**	**240,668**

* The comparative financial information for the year ended 31 March 2019 has been restated. Further details can be found in notes 2 and 35.

The ExtraCare Charitable Trust
Consolidated statement of cash flows
For the year ended 31 March 2020

	Note	2020 £'000	restated* 2019 £'000
Net Cash generated from operating activities	**32**	**(2,211)**	**(3,454)**
Cash flow from investing activities			
Purchase of tangible fixed assets		(39,279)	(53,048)
Grants received		644	2,982
Interest received		18	332
Net cash used in investing activities		**(38,617)**	**(49,734)**
Cash flow from financing activities			
Interest paid		(5,911)	(6,335)
New secured loans		10,500	17,500
Repayments of borrowings		(19,776)	(23,776)
Increase in property repurchase liability		58,502	68,262
Net cash used in financing activities		**43,315**	**55,651**
Net change in cash and cash equivalents		**2,487**	**2,463**
Cash & cash equivalents at beginning of the year		2,715	252
Cash & cash equivalents at end of the year		**5,202**	**2,715**

* The comparative financial information for the year ended 31 March 2019 has been restated. Further details can be found in notes 2 and 35.

1. Legal status

The ExtraCare Charitable Trust is a company limited by guarantee and is an English registered social housing provider. The address of ExtraCare's registered office and principal place of business is 7 Harry Weston Road, Binley Business Park, Coventry, CV3 2SN. The principal activities are providing housing and care to older people.

2. Principal accounting policies

Basis of accounting

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102'). They are prepared under the historical cost convention modified to include certain financial instruments at fair value and according to the Housing SORP 2018 'Statement of Recommended Practice for Registered Housing Providers'. They also comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Public Benefit Entity

The Charity is a Public Benefit Entity, as defined within FRS 102 as "an entity whose primary objective is to provide goods or services for the general public, community or social benefit and where any equity is provided with a view to supporting the entity's primary objectives rather than with a view to providing a financial return to equity providers, shareholders or members".

Basis of consolidation

The group accounts consolidate the accounts of the Charity and its subsidiary undertakings. Intra group transactions, balances and profits are eliminated on consolidation. The consolidation is carried out on a line by line basis and all entities have coterminous year end dates.

The accounts for the Charity include recharges with a subsidiary undertaking which runs charity shops to raise charitable funds. The recharges are based on resources used and payments made.

The parent Charity has taken advantage of the exemption from presenting its unconsolidated Statement of Comprehensive Income under Section 408 of the Companies Act 2006.

Prior period adjustment

In 2019/20, following a review and re-confirmation of its strategic plans and to coincide with end of the corporate planning period (2017-20) and the start of a new corporate planning round, the Charity performed a review of its accounting policies. The Charity has reassessed the accounting treatment for recognising revenue on the sale of leasehold properties and has determined that a more appropriate treatment is to recognise the transaction as a lease arrangement on the basis that the Charity retains the risk and reward. The rationale is further expanded upon in the 'Critical Areas of Judgement' section at the end of this note.

The Directors have considered the buy-back obligation contained within property leases granted by the Charity and concluded that it meets the definition of a financial liability under FRS102. As such it has been presented within creditors: amounts falling due within one year to reflect the on-demand feature of the contractual lease arrangement. In practice, our experience of lease surrenders is that this pattern of buybacks does not materialise. The average annual value over the previous 3 years of such transactions is £18.9M per annum, and an associated regranting of lease is expected.

The difference between the original lease price and the estimated surrender value is recognised as lease income on a straight-line basis over the estimated term of occupancy (defined as 10 years). The leasehold properties are classified as investment properties because the price is not subsidised, the properties are retained by the Charity in order to maximise capital appreciation and to keep the option to sell on the properties without a buyback obligation at some point in the future. The properties are fair valued annually. No depreciation is provided.

The revised accounting treatment has been applied and comparatives have been restated, therefore this has been disclosed as a prior period adjustment in the notes to the financial statements for the year ended 31 March 2020. Further details are disclosed in Note 35.

Going Concern

Our 30-year financial plan is based on robust assumptions and includes headroom of a combination of undrawn loan facilities and cash to allow us to withstand a range of potential risks. Following stress testing the Board agreed for prudent assumptions around the net cash inflow from granting of subsequent property leases to be factored into our business plan to mitigate our market risk exposure to factors such as a pandemic.

During the pandemic we continued to progress our loan refinancing work. Our Revolving Credit Facility (RCF) with Lloyds reduced from £60M to £50M at the end of June 2020. Alongside this we secured a further £15M from BAE Pensions (to 2040) which was used to reduce our RCF further (from £50M to £35M) and we extended the RCF from May 2021 to May 2022. With no further developments committed after Solihull Village and Earlsdon Park extension our base case cashflow model (pre-stress testing) shows cash balances will build to £30M by March 2022.

The Board recognises that the covenants in place with funders are calculated using values from the financial statements as prepared based on the accounting policies in place prior to the change of accounting policy described in note 2 on page 51. Having made enquires of the funders and received assurances from the funders and received legal guidance, the Board are satisfied that convent compliance for the loans disclosed in note 18 of the financial statements will be judged by both funders under the previous basis of accounting, for a period of at least 12 months from sign off of these financial statements or until the Charity initiates the agreement of new covenants, based on mutually acceptable calculations. Covenant calculations have therefore been prepared, which demonstrate compliance, based on the previous accounting treatment and reconciled back to the financial statements prepared under the revised accounting basis.

Further details of the possible impact of Covid 19 on the Charity and the mitigating actions that the Board are taking are set out on pages 11 – 13.

Our financial statements comply with all the current statutory requirements and with the requirements of the Charity's Articles of Association. After making all reasonable enquiries, for a period of at least 12 months from sign off of these financial statements the Board have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In coming to this decision, the Board have considered on-going financial performance data, stress testing of the cashflow, and any actual or potential future liabilities. The Board are therefore confident in confirming that the Charity is viable as a going concern.

Turnover

Turnover is measured at the fair value of the cash consideration received or receivable. The Charity generates the following material income streams:

- Rental income receivable (after deducting lost rent from empty properties available for letting); and
- Invoiced amounts receivable from the delivery of care and health services.

Rental income is recognised from the point when properties under development reach practical completion and are let. Grants, donations, legacies and similar income are accounted for as soon as their amount and receipt are certain. In the case of unsolicited donations, this is usually only when they are received, while fundraising results are accounted for when the commitment is made by the donor, subject to fulfilment. Grants, where entitlement is not conditional on the delivery of a specific performance by the Charity, are recognised when the Charity becomes unconditionally entitled to the grant.
Turnover is included on an accruals basis.
The income from goods donated for resale in the Charity shops is included in the accounts when those goods are sold. No value is placed on any stock of such goods. Donated services and facilities are included at the value to the Charity where this can be quantified.
Investment income is included when receivable by the Group.

Service charges

Certain villages operate variable service charges. Where there is any difference between the estimated cost recovered from tenants and leaseholders and the actual cost incurred, any such shortfall or surplus arising is carried forward and either collected or refunded against the future year's charge. Any shortfall or surplus arising is shown in the statement of financial position within debtors or creditors as appropriate. Where schemes are on fixed service charges, income is recognised in the financial statements in line with the amounts charged to the occupant.

2. Principal accounting policies (continued)

Intangible fixed assets

Capitalised IT software expenditure is initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Capitalised IT software expenditure is amortised on a straight-line basis over its useful life which is 3 years.

Taxation

The parent Charity is exempt from Corporation Tax as a registered charity. The trading subsidiary is subject to corporation tax on any profits not distributed by gift aid to the parent Charity.

VAT

The parent Charity is partially exempt for VAT purposes, and consequently VAT incurred cannot be fully recovered. Where VAT is not recoverable the expenditure is shown inclusive of VAT.

Other grants

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

Impairment (excluding investment properties)

Fixed assets are reviewed for impairment following an assessment at each reporting date if events or changes in circumstances indicate that the carrying amount may not be recoverable or as otherwise required by relevant accounting standards. Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of net realisable value and value-in-use, are recognised as impairment losses in the Consolidated Statement of Comprehensive Income.

Capitalisation of interest

Interest incurred up to the time that identifiable major capital projects are ready for service is capitalised as part of the cost of the assets and shown within fixed assets, based on interest charged on loans relating to each project.

Stock

Stock is valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal.

Restricted reserves

These are reserves that can only be applied for specified purposes. The reserve is held for the purpose as specified by the donor. This is usually for a specific appeal. Incoming reserves are accounted for on receipt but with reference to certain performance criteria within an agreement. Where cash has been received but performance criteria have not yet been met, such income is deferred and released to the Consolidated Statement of Comprehensive Income on achievement of such criteria.Management of housing property for other social landlords.

Where the Charity has been appointed as an agent by a Housing Association partner to provide support to the service users and the support contract with the Commissioning Authority is held (and carries the financial risk), the Consolidated Statement of Comprehensive Income includes only that income and expenditure which relates solely to the Charity.

2. Principal accounting policies (continued)

Retirement benefits

Defined contribution pension scheme

The Charity's executive management are members of a flexible retirement plan operated by The Pensions Trust. The amount charged to the Consolidated Statement of Comprehensive Income is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Defined benefit pension scheme

The Charity's employees are members of the Social Housing Pension Scheme (SHPS). For the SHPS, retirement benefits to colleagues of the Company are funded by contributions from all participating employers and employees in the Scheme. Payments are made to a fund operated by the Pensions Trust, an independent trust providing superannuation benefits for employees of voluntary organisations. These payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Companies taken as a whole.

The assets and liabilities of the Charity's share of the pension are now included on the Statement of Financial Position, where as in the prior year a provision was included linked to the stream of deficit contributions. Thereby adopting the amendment to FRS102 "Multi-employer defined benefit plans", issued in May 2019, early.

Actuarial assumptions are applied to determine each company's share of liabilities. The assumptions are updated at the year end, and the changes to the position go through the 'Other Comprehensive Income' statement, and not through the normal Statement of Comprehensive Income, as there is not sufficient information to restate the comparative.

Calculations are carried out annually and independently of the pension triennial valuation.

The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

One employee is also a member of a growth plan operated by The Pensions Trust (being the SHPS managers). For the Growth Plan, contributions are recognised in expenditure in the period to which they relate as there is insufficient information available to use defined benefit accounting. A liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the Charity will fund a deficit. Contributions are discounted when they are not expected to be settled wholly within 12 months of the period end.

Tangible fixed assets - Housing properties

Housing properties are properties for the provision of social housing and are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Improvements are works to existing properties, and component replacements which have been treated separately for depreciation purposes, which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the incremental direct overhead costs associated with new developments or improvements are capitalised. Direct overhead costs comprise the costs of staff time, including salary costs and other apportioned direct costs, incurred on the developments from the date from which it is reasonably likely that the development will go ahead, to the date of practical completion.

Investment properties

The classification of properties as investment property or property, plant and equipment is based upon the intended use of the property.

Mixed use property is separated between investment property and property, plant and equipment.

Investment properties are initially measured at cost and subsequently measured at fair value annually with any change recognised in the Statement of Comprehensive Income. Investment properties are not depreciated.

Donated land

Where land is transferred by local authorities and other public bodies for consideration below market-value, the difference between the market value and the consideration given is added to cost at the time of the donation and included within the Statement of Financial Position as a liability, in accordance with treatment as a non-government grant.

2. Principal accounting policies (continued)

Government grants

Government grants include grants receivable from Homes England, local authorities and other government bodies. Social Housing Grant (SHG) is a government grant made to the Charity towards the cost of acquiring and/or building additional housing for rent. No Grant is receivable in respect of Investment Properties.

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants received for social housing properties are recognised in income over the useful economic life of the structure of the asset (excluding land) under the accruals model.

Government grants relating to revenue are recognised as income over the periods when the related costs are incurred once reasonable assurance has been gained that the Charity will comply with the conditions and the funds will be received.

Depreciation

Assets costing more than £1,000 are capitalised at cost. Assets under construction for social housing are not depreciated until brought into operational use.

Depreciation of fixed assets is charged by equal instalments commencing with the date of acquisition at rates estimated to write off their cost or valuation less any residual value over the expected useful lives which are as follows:

Freehold land	not depreciated
Freehold buildings – Social housing	
Main Fabric	100 years
Roof & Covering	70 years
Electrics	40 years
Windows & External Doors	30 years
Bathroom & WC	30 years
Mechanical Systems	30 years
Lift	28 years
Kitchen	20 years
Freehold buildings – Investment properties	not depreciated
Leasehold property	over period of lease
Furniture and equipment	over 2 to 6 years
Motor vehicles	over 3 years

Operating Leases

All leases are operating leases and the annual rental costs are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

Financial Instruments

The Charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS102, in full, to all of its financial instruments. Financial assets and financial liabilities are recognised when the Charity becomes a party to the contractual provisions of the instrument, and are offset only when the Charity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial Liabilities – Lease Buyback

The Directors have considered the buy-back obligation contained within property leases granted by the Charity and concluded that it meets the definition of a financial liability under FRS102. As such it has been presented with creditors: amounts falling due within one year to reflect the on-demand feature contained within the contractual arrangement.

2. Principal accounting policies (continued)

Financial Assets – Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Rent debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a rent debtor constitutes a financing transaction, the debtor is initially and subsequently measured at present value of future payments discounted at a market value rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in the Statement of Comprehensive Income for the excess of the carrying value of the rent debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in the Statement of Comprehensive Income.

Financial Liabilities - Trade Creditors (including amounts due to contractors)

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled. Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at the market rate of interest for a similar instrument.

Financial Liabilities - Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Provisions

The Group recognises provisions where it has an obligation at the reporting date as a result of a past event, which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and financing costs.

Critical Accounting Estimates and Areas of Judgement

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

Defined benefit pension assumptions

The discount rate and inflation rate are considered to be key estimates in calculating the defined benefit liability and sensitivities have been disclosed within Note 22.

Critical Area of Judgement

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Charity as lessee, or to the lessee, where the Charity is the lessor.

At surrender of the lease, there is a contractual obligation for the Charity to return the original consideration, the risk and reward of price movement in the intervening period remain solely with the Charity. Consequently, granting of property leases is not treated as a sale on the basis that most of the risks and rewards of ownership are judged not to have been transferred to the lessee.

2. Principal accounting policies (continued)

Properties developed and let under a long lease are not held for social housing purposes, no Social Housing Grant has been received towards their construction and no restrictions exists to their allocation other than Charity policies. They are leased through an upfront payment, equivalent in value to a commercial outright purchase. The Trust has the obligation to "repurchase" the property when the lease is terminated. The purpose of this is two-fold: it ensures that the Village residency mix is maintained, with the Charity being able to select new occupants to maintain a vibrant community, and it also sustains the Trust's longer-term financial stability, by benefitting from property price inflation over time. Additionally, no rent is charged, but a deduction of 1% of the upfront payment is made from the termination payment, to a maximum of 10%. This is below the commercial rent charged for such a property.

At the end of any lease the Trust could take the decision to lease the property under different terms, including removing the obligation to repurchase. It would be at this point that any capital appreciation would be realised as a capital gain. Such choice is within the powers of Trustees to make at a time when priorities may suggest it would better support the Charity's activities.

On the basis of these considerations the leased properties are treated as investment properties for capital appreciation.

Investment properties are valued annually at their fair value. This calculation is based on the lease price achieved for a property, or on the average price of a similar archetype (location, property size, and other design specifications).

Investment properties that are under construction at the period end are held as assets under construction and are shown at their historic cost value. There is no readily available market data for an incomplete apartment in an incomplete retirement village, and valuations provided by surveyors for lending and payment purposes measure the cost of works complete at the survey date. Such assets are therefore shown as classified as property, plant and equipment.

The granting of property leases is treated as financial instruments (under FRS102) as there is a contractual legal obligation within our leases for buyback: this clause is classified as repayable upon demand which meets the definition of these being financial instruments. As the terms of the lease require repayment upon demand, the buyback liability is necessarily reflected within creditors under 1 year. In practice, our experience of lease surrenders is that this pattern of buybacks does not materialise, nonetheless we are obligated to adhere to accounting standards and as such, as a financial instrument repayable on demand these are required to be classified in creditors under 1 year. In practice we actively build waiting lists and operationally seek to match surrenders with a corresponding re-grant of a subsequent property lease in order to manage our cashflow. Further information on the pattern of surrenders is included in Note 16.

Provisions

Provisions are only recognised where the Charity has an obligation to incur future expenditure as a result of a past event. The provision is recognised as a liability in the Statement of Financial Position.

3. Operating income, operating costs and operating surplus - Group

	2020			2019		
				restated*	restated*	restated*
	Turnover £'000	Operating Costs £'000	Operating Surplus / (Deficit) £'000	Turnover £'000	Operating Costs £'000	Operating Surplus / (Deficit) £'000
Social housing lettings (Note 4)	**7,511**	**(5,633)**	**1,878**	**6,044**	**(4,528)**	**1,516**
Other social housing activities:						
Development services	-	(1,088)	(1,088)	-	(2,163)	(2,163)
Housing related support contract income	56	(2)	54	130	(122)	8
Management services	909	(660)	249	1,341	(603)	738
	965	**(1,750)**	**(785)**	**1,471**	**(2,888)**	**(1,417)**
Non Social Housing lettings						
Residential property income	14,066	(11,054)	3,012	10,963	(8,411)	2,552
Other rent	357	(115)	242	335	(79)	256
Non Social Housing lettings	**14,423**	**(11,169)**	**3,254**	**11,298**	**(8,490)**	**2,808**
Other Non Social Housing activities						
Development services	-	(2,210)	(2,210)	-	(4,392)	(4,392)
Care and health services	10,448	(13,920)	(3,472)	10,061	(14,107)	(4,046)
Community services	1,944	(2,767)	(823)	1,419	(2,302)	(883)
Other revenue grants	-	-	-	31	(31)	-
Other	4,182	(5,898)	(1,716)	3,129	(4,369)	(1,240)
Retail	3,242	(2,968)	274	3,747	(3,593)	154
Donations	1,455	(1,169)	286	992	(831)	161
Other Non Social Housing activities	**21,271**	**(28,932)**	**(7,661)**	**19,379**	**(29,625)**	**(10,246)**
Total	**44,170**	**(47,484)**	**(3,314)**	**38,192**	**(45,531)**	**(7,339)**

In addition to the income and costs of providing care to our residents, “Care and Health Services” includes the income and costs relating to the Enriched Opportunities Programme. “Community Services” represents income and costs of activities provided for our residents and “Other” includes the income and costs of services such as restaurants and gym facilities at our retirement schemes and villages.

* The comparative financial information for the year ended 31 March 2019 has been restated. Further details can be found in notes 2 and 35.

4. Income and expenditure from social housing lettings - Group

	2020 Supported Housing and Housing for Older People £'000	restated* 2019 Supported Housing and Housing for Older People £'000
Rent receivable and maintenance charge net of identifiable service charges	3,528	2,736
Service charge income	2,665	2,313
Amenity income	753	480
Housing related support	171	178
Amortised government grant	394	337
Turnover from Social Housing Lettings	**7,511**	**6,044**
Management	2,166	1,887
Service charge costs	1,650	1,321
Routine maintenance	404	396
Planned maintenance	565	182
Depreciation of housing properties	848	742
Operating Costs on Social Housing Lettings	**5,633**	**4,528**
Operating Surplus on Social Housing Lettings	**1,878**	**1,516**
Void losses	167	158

* The comparative financial information for the year ended 31 March 2019 has been restated. Further details can be found in notes 2 and 35.

5. Interest and financing costs - Group

	2020 £'000	2019 £'000
Bank loans	3,985	4,310
Other loans	1,893	1,893
Defined benefit pension charge	277	260
Interest payable capitalised on housing properties under construction	(1,981)	(2,986)
	4,174	**3,477**

Interest has been incurred as part of funding major capital projects and has been capitalised into assets under construction. Interest was capitalised at a rate of 4.01% (2019: 3.84%).

6. Board members and executive directors - Group and Charity

Members of the Board of Management are the directors and trustees of the Charity, and act in an unpaid capacity. A total of £3,255 was reimbursed to Board members for travel expenses (2019: £4,754) in respect of eleven trustees who claimed expenses (2019: Eight).

For the purposes of this note, Directors are defined as directors and the key management personnel of the Charity. Expenses paid to the senior management team in the year totalled £2,777 (2019: £5,116).

	2020 £'000	2019 £'000
Aggregate Emoluments payable to Directors (including pension contributions and benefits in kind)	778	767
Emoluments (excluding pension contributions) payable to the Chief Executive who was also the highest paid Director	215	204

The Chief Executive has no pension arrangement to which the Charity contributes.
Pension contributions for the year ending 31 March 2020 were £4,005 (2019: £2,791).
There are no directors in the defined benefit pension scheme, and one in the defined contribution scheme.

7. Employee Information - Group and Charity

	Group		Charity	
	2020 Number	2019 Number	2020 Number	2019 Number
Average number of employees				
Executive directors	5	5	5	5
Care services	1,045	1,028	1,045	1,028
Administration, fundraising and publicity	257	256	147	139
	1,307	**1,289**	**1,197**	**1,172**
Full time equivalents				
Executive directors	5	5	5	5
Care services	625	612	625	612
Administration, fundraising and publicity	222	219	138	131
	852	**836**	**768**	**748**

Full Time Equivalents are calculated using total monthly hours worked compared with contracted hours.

Staff Costs (For the above persons)

	Group		Charity	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Wages & Salaries	24,466	22,985	22,603	21,016
Social Security Costs	1,911	1,800	1,776	1,679
Other Pension Costs	868	728	807	683
	27,245	**25,513**	**25,186**	**23,378**

7. Employee Information - Group and Charity

The pension cost charge represents contributions payable to the pension fund, and are analysed below.

	Group		Charity	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Defined benefit schemes	111	179	111	179
Defined contribution schemes	757	549	696	504
	868	**728**	**807**	**683**

Details of the Group's pension schemes are detailed in Notes 22, 23 and 24.

Salary banding for all employees (excluding directors) earning over £60,000 (including salaries, performance related pay, benefits in kind and compensation for loss of office but excluding pension contributions):

Salary Range	2020 Number	2019 Number
£190,001 to £200,000	1	-
£180,001 to £190,000	-	1
£130,001 to £140,000	2	2
£120,001 to £130,000	1	1
£100,001 to £110,000	1	1
£90,001 to £100,000	4	1
£80,001 to £90,000	5	2
£70,001 to £80,000	4	6
£60,001 to £70,000	9	12
	27	**26**

Pension contributions in respect of the above employees totalled £69,028 (2019: £55,757).
No higher paid employees are accruing benefits under the defined benefit pension scheme (2019: Nil).
Twenty-two higher paid employees are accruing benefits under the defined contribution scheme (2019: Twenty-two).

8. Operating deficit - Group

	2020 £'000	restated* 2019 £'000
The operating deficit is arrived at after charging/(crediting):		
Trustee indemnity insurance	9	8
External auditor's remuneration:		
In respect of the audit of the Charity's Financial Statements	49	39
In respect of other services:		
The audit of the charity's subsidiary Financial Statements	7	7
Taxation services	44	46
Audit-related assurance services	17	17
Other services	23	4
Operating leases		
Rent payable on buildings	1,264	1,299
Other	5	13
Depreciation of owned tangible fixed assets	3,401	2,462
Amortisation of intangible fixed assets	103	181
Amortisation of deferred Social Housing Grant	(457)	(400)

Amortisation of grants is split between management service (note 3) and amortised government grants (note 4).

* The comparative financial information for the year ended 31 March 2019 has been restated. Further details can be found in notes 2 and 35.

9. Intangible assets - Group and Charity

	£'000
Cost:	
At 1 April 2019	1,069
Additions	30
At 31 March 2020	**1,099**
Depreciation:	
At 1 April 2019	871
Charged in the year	103
At 31 March 2020	**974**
Net Book Value	
At 31 March 2020	**125**
At 31 March 2019	198

Intangible assets relate to IT software.

Amortisation has been charged to operating costs within the Consolidated Statement of Comprehensive Income.

10. Fixed Assets - Housing Properties - Group and Charity

	restated* Housing properties held for lettings £'000	restated* Housing properties under construction £'000	Leasehold land and buildings £'000	restated* Total £'000
Cost:				
At 1 April 2019	108,879	74,164	417	183,460
Additions	957	37,188	-	38,145
Schemes completed	16,022	(50,391)	-	(34,369)
Transfer to other fixed assets	-	(1,309)	-	(1,309)
Change of tenure	(1,093)	-	-	(1,093)
At 31 March 2020	**124,765**	**59,652**	**417**	**184,834**
Depreciation:				
At 1 April 2019	9,449	-	73	9,522
Depreciation charged in the year	1,923	-	4	1,927
At 31 March 2020	**11,372**	**-**	**77**	**11,449**
Net Book Value				
At 31 March 2020	**113,393**	**59,652**	**340**	**173,385**
At 31 March 2019	99,430	74,164	344	173,938

	2020 £'000	2019 £'000
Expenditure on works to existing properties		
Components capitalised/improvements	19	33
Amounts charged to the statement of comprehensive income	969	578
	988	**611**
Finance Costs		
Aggregate amount of finance costs included in the cost of housing properties	6,141	2,928
Aggregate amount of finance costs included in the cost of properties under construction	1,959	2,259
	8,100	**5,187**

Impairment

The Charity considers individual schemes to be separate Cash Generating Units (CGU's) when assessing for impairment of housing properties held for letting, in accordance with the requirements of FRS 102 and the Housing SORP 2014.

During the current year the Charity has identified no impairment losses.

* The comparative financial information for the year ended 31 March 2019 has been restated. Further details can be found in notes 2 and 35.

11. Fixed Assets - Investment properties - Group and Charity

	restated* Investment properties £'000
Fair Value:	
At 1 April 2019	567,255
Schemes completed	34,369
Change of tenure	1,093
Movement in fair value	47,886
At 31 March 2020	**650,603**

Historic Cost

	2020 £'000	2019 £'000
Investment properties measured under the historic cost convention	335,552	300,090

Included within the above is £9,924K of capitalised interest (2019: £8,100K).

Valuation

Investment properties are valued annually at their fair value. This calculation is based on the lease price achieved for a property, or on the average price of a similar archetype (location, property size, and other design specifications).

Each investment property is measured based upon active secured prices. There has been no valuation by an independent valuer. It is considered the volume of lease transactions in the period gives a sufficient dataset to provide a meaningful basis of fair value.

Investment properties are leased through an upfront payment, equivalent in value to a commercial outright purchase.
At the end of any lease the Trust could take the decision to lease the property under different terms, including removing the obligation to repurchase. It would be at this point that any capital appreciation would be realised as a capital gain. Such choice is within the powers of Trustees to make at a time when priorities may suggest it would better support the Charity's activities.
When a lease is terminated, the Charity has a contractual obligation to refund the payment, less a 1% per annum deduction (to a maximum of 10%).

* The comparative financial information for the year ended 31 March 2019 has been restated. Further details can be found in notes 2 and 35.

12. Other Tangible Fixed Assets - Group and Charity

	Furniture and Other Equipment £'000
Cost:	
At 1 April 2019	9,467
Additions	728
Transfer from housing properties under construction	1,309
Disposals	(956)
At 31 March 2020	**10,548**
Depreciation:	
At 1 April 2019	4,834
Charged in the year	1,474
Released on disposal	(956)
At 31 March 2020	**5,352**
Net Book Value	
At 31 March 2020	**5,196**
At 31 March 2019	4,633

13.Fixed Asset Investments - Group and Charity

	2020 £	2019 £
Investment in group companies	2	2

The parent company holds the whole of the equity share capital of the following group companies:

Name of subsidiary undertaking	Country of incorporation	Class of share	Nature of business
ExtraCare Retail Limited	England	Ordinary	Charity retail operation
Extracare Nominee 1 Limited	England	Ordinary	Dormant
Extracare Nominee 2 Limited	England	Ordinary	Dormant

All subsidiaries are registered at 7 Harry Weston Road, Binley Business Park, Coventry, CV3 2SN.

14. Stocks - Group and Charity

	Group 2020 £'000	Group restated* 2019 £'000	Charity 2020 £'000	Charity restated* 2019 £'000
Goods for resale	132	120	-	-

* The comparative financial information for the year ended 31 March 2019 has been restated. Further details can be found in notes 2 and 35.

15. Debtors

	Group		Charity	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Rent and service charges receivable	2,447	3,109	2,447	3,109
Less: provision for bad and doubtful debts	(484)	(766)	(484)	(766)
Net rent arrears	**1,963**	**2,343**	**1,963**	**2,343**
Valued Added Tax	163	217	163	217
Amount owed by subsidiary undertaking	-	-	310	287
Prepayments and accrued income	1,081	1,228	803	925
Variable Service Charges	100	67	100	67
Other debtors	71	62	3	-
	3,378	**3,917**	**3,342**	**3,839**

The amounts due from the subsidiary undertaking are unsecured, have no formal repayment terms and are interest free; the amounts are part of an ongoing trading account.

16. Creditors: Amounts falling due within one year

	Group		Charity	
		restated*		restated*
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Loans (note 18)	776	776	776	776
Trade creditors	651	950	646	949
Amounts due to contractors for certified work	4,860	7,217	4,860	7,217
Rent and Charges received in advance	510	1,270	510	1,270
Other taxation and social security costs	479	472	470	462
Corporation Tax	45	-	-	-
Deferred capital grant (note 20)	462	393	462	393
Accruals and deferred income	6,349	6,173	6,244	5,944
Lease termination liability	387,609	329,107	387,609	329,107
Variable service charge creditor	1,666	2,113	1,666	2,113
	403,407	**348,471**	**403,243**	**348,231**

* The comparative financial information for the year ended 31 March 2019 has been restated. Further details can be found in notes 2 and 35. As noted in Critical Areas of Judgement the granting of property leases are treated as financial instruments. The terms of the lease mean repayment is due upon demand and this liability is reflected within creditors under 1 year. In practice, our experience of lease surrenders is that this pattern of buybacks does not materialise. The average annual value over the previous 3 years of such transactions is £18.9M per annum, and an associated regranting of lease is expected.

17. Creditors: Amounts falling due after more than one year - Group and Charity

	2020	2019
	£'000	£'000
Loans (note 18)	137,884	147,053
Deferred income (note 19)	197	258
Deferred capital grant (note 20)	44,433	44,315
	182,514	**191,626**

18. Loan Analysis - Group and Charity

	2020 £'000	2019 £'000
Due within one year		
Bank loans	776	776
Due after more than one year		
Other loans	42,500	42,500
Bank loans	96,469	105,744
	138,969	**148,244**
Less: Issue Costs	(1,085)	(1,191)
	137,884	**147,053**

Security

The loan facilities are secured by legal charges on freehold and leasehold properties. Loans are secured on the properties within freehold land and buildings and the buildings within development.
At 31 March 2020 there are no unencumbered completed units. At the same date, a village currently under construction in Solihull (260 units), was unencumbered but put into charge after year end.

Terms of repayment and interest rates

Bank and other loans are repayable in instalments, at rates of interest between 2.3% and 5.9% per annum (2019: 2.6% and 5.9% per annum).
The final instalments fall to be repaid between 2021 and 2040.
The Charity has fixed interest rates to guard against future rate movements - these are embedded within the loans and do not have a separate fair value.
Caps have been purchased in year against interest risk on loans and have been valued at £Nil. (2019: £Nil).

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2020 £'000	2019 £'000
Within one year or on demand	776	776
One year or more but less than two years	31,086	39,276
Two years or more but less than five years	2,948	2,948
Five years or more	104,935	106,020
	139,745	**149,020**

As at 31 March 2020 the Charity has undrawn loan facilities of £30.0M (2019: £21.5M).

19. Deferred income - Group and Charity

Deferred income will be credited to the Consolidated Statement of Comprehensive Income:

	2020 £'000	2019 £'000
Within one year	126	141
Between one and two years	79	94
Between two and five years	118	164
	323	**399**

	2020 £'000	2019 £'000
Lease premiums receivable, credited to the Consolidated Statement of Comprehensive Income over the period of the lease (up to twenty five years)	113	135
Other Care income	46	47
Care for Life income, amortised over life expectancy of plan holder	164	217
	323	**399**

Deferred income relates to lease premiums receivable £113K (2019: £135K) which will be released over the periods of the lease (up to twenty five years) and income relating to Care for Life £164K (2019: £218K) which will be released to income over the assumed life expectancy of the resident who has taken out the plan.

20. Deferred Capital Grant Income - Group and Charity

	2020 £'000	2019 £'000
Balance at 1 April	44,708	42,126
Received in the year	644	2,982
Released to income in the year	(457)	(400)
Balance at 31 March	**44,895**	**44,708**

	2020 £'000	2019 £'000
Amounts to be released within one year	462	393
Amounts to be released in more than one year	44,433	44,315
	44,895	**44,708**

21. Restricted reserves - Group and Charity

The incoming funds of the Charity include restricted funds comprising the following balances of donations and grants held on trust for specific purposes, including existing and future schemes and villages.

	At 1 April 2018 £'000	Income £'000	Expenditure £'000	At 31 March 2019 £'000	Income £'000	Expenditure £'000	At 31 March 2020 £'000
Fixed assets							
Hagley Road, Birmingham	1	-	-	1	-	-	1
Humber Court, Coventry	211	-	(3)	208	-	(3)	205
Lark Hill Village, Nottingham	2,925	-	(32)	2,893	-	(32)	2,861
New Oscott Village, Birmingham	1,217	-	(13)	1,204	-	(13)	1,191
Lovat Fields Village, Milton Keynes	956	-	(11)	945	-	(11)	934
Shenley Wood Village, Milton Keynes	171	-	(2)	169	-	(2)	167
Pannel Croft Village, Birmingham	535	-	(6)	529	-	(5)	524
St Oswalds Village, Gloucester	2	-	-	2	-	(1)	1
Rosewood Court, Wellingborough	238	-	(3)	235	-	(3)	232
Sunley Court, Kettering	230	-	(3)	227	-	(3)	224
Yates Court, Evesham	112	-	(1)	111	-	(1)	110
	6,598	**-**	**(74)**	**6,524**	**-**	**(74)**	**6,450**
Special projects and other funds							
Other miscellaneous funds	92	125	(213)	4	17	(2)	19
Other scheme restricted funds	178	20	(55)	143	31	(37)	137
	270	**145**	**(268)**	**147**	**48**	**(39)**	**156**
Total funds	**6,868**	**145**	**(342)**	**6,671**	**48**	**(113)**	**6,606**

Fixed assets

These funds resulted from specific appeals to fund the development of fixed assets. Expenditure represents depreciation on the assets.

Special projects and other funds

Most of these funds have been given to finance specific projects to improve the quality of life for older people.

22. Retirement benefits - Group and Charity

Social Housing Pension Scheme (SHPS)

The Charity participates in the Social Housing Pension Scheme ('the scheme'), a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.
The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.
The last triennial valuation of the scheme for funding purposes was carried out at at 30 September 2017. This valuation revealed a deficit of £1,522M. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.
The scheme is classified as a 'last-man standing arrangement'. Therefore the Charity is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.
For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the Charity to account for the Scheme as a defined benefit scheme.
For accounting purposes, an actuarial valuation of the scheme was carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive. The liabilities are compared, at the relevant accounting date, with the company’s fair share of the Scheme’s total assets to calculate the company’s net deficit or surplus.

Key results

The estimated position at 31 March 2020 shows a deficit of £4,759K.
The number of scheme members employed by the Group at 31 March 2020 was 26 (2019: 27). The charge to the Group for the year was £111K (2019: £179K).

Calculation method

The figures at 31 March 2020 are based on projecting forward the results of the last actuarial valuation of the Fund as at 30 September 2017.

Key assumptions

	2020 £'000	2019 £'000
Discount Rate	2.38%	2.29%
Inflation (RPI)	2.63%	3.30%
Inflation (CPI)	1.63%	2.30%
Salary Growth	2.63%	3.30%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2040	22.9
Female retiring in 2040	24.5

22. Retirement benefits (continued) - Group and Charity

Defined benefit costs recognised in Statement of Comprehensive Income

	2020 £'000
Current service cost	111
Expenses	43
Net interest expense	276
	430

Defined benefit costs recognised in Other Comprehensive Income

	2020 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain	436
Experience gains and losses arising on the plan liabilities - gain	639
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain	448
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain	5,419
Total actuarial gains	**6,942**

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	2020 £'000	2019 £'000
Fair value of plan assets	38,300	37,052
Present value of defined benefit obligation	(43,059)	(49,692)
Defined benefit liability to be recognised	**(4,759)**	**(12,640)**

Reconciliation of opening and closing balances of the defined benefit obligation

	2020 £'000
Defined benefit obligation at start of period	49,692
Current service cost	111
Expenses	43
Interest expense	1,126
Contributions by members	105
Actuarial gains due to scheme experience	(639)
Actuarial gains due to changes in demographic assumptions	(448)
Actuarial gains due to changes in financial assumptions	(5,419)
Benefits paid	(1,512)
Defined benefit obligation at end of period	**43,059**

22. Retirement benefits (continued) - Group and Charity

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

	2020 £'000
Fair value of plan assets at start of period	37,052
Interest income	850
Experience on plan assets (excluding amounts included in interest income)	436
Employer contributions	1,369
Contributions by members	105
Benefits paid	(1,512)
Fair value of plan assets at end of period	**38,300**

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £1,286K.

The analysis of the scheme assets at the reporting date were as follows:
Assets

	2020 £'000	2019 £'000
Global Equity	5,602	6,235
Absolute Return	1,997	3,206
Distressed Opportunities	738	673
Credit Relative Value	1,050	678
Alternative Risk Premia	2,678	2,137
Fund of Hedge Funds	22	167
Emerging Markets Debt	1,160	1,278
Risk Sharing	1,293	1,119
Insurance-Linked Securities	1,176	1,063
Property	844	834
Infrastructure	2,850	1,943
Private Debt	772	497
Opportunistic Illiquid credit	927	-
Corporate Bond Fund	2,184	1,729
Liquid credit	16	-
Long Lease Property	663	545
Secured Income	1,453	1,327
Liability Driven Investment	12,711	13,550
Net Current Assets	164	71
Total assets	**38,300**	**37,052**

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation

	Change in assumption	Change in liabilities £'000
Discount rate	Increase of 0.1% p.a.	(797)
Rate of inflation	Increase of 0.1% p.a.	625
Rate of salary growth	Increase of 0.1% p.a.	11

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation, pension increases and salary growth where appropriate.

23. Other provisions - Group and Charity

	2020 £'000	2019 £'000
The Pensions Trust's Growth Plan	50	61
SHPS obligation at 31 March	**50**	**61**

a) Social Housing Pension Scheme (SHPS)

	2020 £'000	2019 £'000
SHPS obligation at 1 April	-	6,842
Reversals	-	(6,842)
	-	-

The SHPS obligation is referred to in note 22. The accounting treatment for this has changed to a defined benefit scheme at 31 March 2019 where the assets and liabilities have been identified separately and therefore the opening provision has been de-recognised.

b) The Pensions Trust's Growth Plan

The Charity participates in the scheme, a multi-employer scheme which provides benefits to some 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Charity to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9M, liabilities of £926.4M and a deficit of £131.5M. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

£11.2M per annum	From 1 April 2019 to 31 January 2025: (payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4M, liabilities of £969.9M and a deficit of £176.5M. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

£12.9M per annum	From 1 April 2016 to 31 March 2025: (payable monthly and increasing by 3.0% each year on 1st April)
£0.05M per annum	From 1 April 2016 to 31 September 2028: (payable monthly and increasing by 3.0% each year on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and the Charity has agreed to a deficit funding arrangement it recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

23. Other provisions (continued) - Group and Charity

Present values of provision

	2020 £'000	2019 £'000	2018 £'000
Present value of provision	50	61	86

Reconciliation of opening and closing provisions

	2020 £'000	2019 £'000
Provision at start of period	**61**	**86**
Unwinding of the discount factor (interest expense)	-	1
Deficit contribution paid	(10)	(11)
Remeasurements - impact of any change in assumptions	(1)	1
Remeasurements - amendments to contribution schedule	-	(16)
Provision at end of period	**50**	**61**

Income and expenditure impact

	2020 £'000	2019 £'000
Interest expense	-	1
Remeasurements – impact of any change in assumptions	(1)	1
Remeasurements – amendments to the contribution schedule	-	(16)
Costs recognised in income and expenditure account	**(1)**	**(14)**

Assumptions

	31-Mar-20 % per annum	31-Mar-19 % per annum	31-Mar-18 % per annum
Rate of discount	2.53	1.39	1.71

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

24. Defined contribution pension scheme - Group and Charity

The Charity also utilises the Pension Trust Flexible Retirement Plan (FRP). The FRP is a defined contribution scheme.

The estimated employer's contributions payable under all pension schemes for the year ended 31 March 2021 is £784K (2020 £757K).

Pension costs within creditors for the year ending 31 March 2020 are £274K (2019: £218K).

25. Capital commitments - Group and Charity

	2020 £'000	2019 £'000
Capital expenditure that has been contracted for but has not been provided for in these financial statements	6,744	37,561
Capital expenditure that has been authorised by the Board but has not yet been contracted for	-	12,942

Existing loan facilities are in place to meet these commitments where they have been contracted. In addition, grants are receivable in respect of properties under construction as detailed in note 28.

26. Financial commitments - Group and Charity

The future minimum lease payments of non-cancellable leases are as set out below:

	2020 Land & Buildings £'000	2020 Other £'000	2019 Land & Buildings £'000	2019 Other £'000
Contracts expiring				
Within one year	1,164	5	1,158	12
Between one and 5 years	2,764	4	2,947	13
Over five years	4,114	-	4,417	-
	8,042	**9**	**8,522**	**25**

27. Taxation

The Trust is registered as a charity and its charitable activities are not liable to Corporation Tax.
The subsidiary of the Trust, Extracare Retail Limited, is subject to Corporation Tax. In this financial year a tax liability has been incurred in relation to termination of a lease at a retail outlet. The expenditure was expensed in the year, but for tax purposes was treated as a transaction of a capital nature, and therefore incurred the aforementioned liability.
There were no similar transactions in the prior year.

28. Contingent assets

In each financial year the Charity will receive pledges to fund new village developments. The pledges are contingent on various key events occurring during the village development phases.

At 31 March 2020 there were contingent assets from grant allocations as follows:

	Total grant pledged £'000	Received in year £'000	Contingent asset 2020 £'000	Contingent asset 2019 £'000
Solihull, West Midlands	2,561	-	1,921	1,921
Wixams, Bedford	1,288	644	-	644
	3,849	**644**	**1,921**	**2,565**

29. Contingent liabilities and other commitments

At 31 March 2020, there are no outstanding claims against the Group or Charity.

30. Related party transactions

The Group has taken advantage of the exemption conferred by paragraph 33.IA of FRS102, Related Party Disclosures, from the requirement to disclose transactions with its wholly owned subsidiary (ExtraCare Retail Limited). The aggregate total of these costs recharged is £3,474K (2019: £3,499K).

The Charity has not entered into any transactions or other arrangement with any related parties.

31. Subsidiary undertakings - Charity

As shown in note 12, the Charity has three wholly owned subsidaries which are incorporated in the United Kingdom:

- ExtraCare Retail Limited
- Extracare Nominee 1 Limited
- Extracare Nominee 2 Limited

Extracare Nominee 1 Limited and Extracare Nominee 2 Limited did not trade during the year, or in the prior year.

All companies have entered into Gift Aid arrangements to donate their taxable profits to The ExtraCare Charitable Trust.

A summary of the results of ExtraCare Retail Limited is shown below. Audited accounts will be filed with the registrar of Companies in line with requirements.

Within the Group accounts, the activity from ExtraCare Retail Limited is shown within Other Non Social Housing Activities (note 3).

	2020 £'000	2019 £'000
Turnover	3,242	3,747
Cost of sales	(414)	(418)
Staff costs	(2,059)	(2,135)
Other costs	(1,531)	(1,801)
Other operating income	1,036	760
Net profit	**274**	**153**
Taxation	(45)	-
Profits distributed to the ExtraCare Charitable Trust	-	-
Retained in subsidiary	**229**	**153**
Current assets	490	543
Current liabilities	(244)	(373)
Retained in subsidiary	**246**	**170**

The Charity received Gift Aid and related income from retail activity totalling £153K in the year ended 31 March 2020 (2019: £270K) and is expecting to receive a distribution of £246K by 31 December 2020.

32. Reconciliation of operating surplus to net cash inflow from operating activities

	2020 £'000	restated* 2019 £'000
Surplus for the year	40,371	52,779
Interest payable	4,174	3,477
Interest receivable	(18)	(332)
Operating surplus for the year	**44,527**	**55,924**
Adjustments for non-cash items:		
Change in fair value of investment properties	(47,886)	(63,263)
Depreciation of tangible fixed assets	3,401	2,462
Amortisation of intangible assets	103	181
Amortisation of deferred capital grants	(457)	(400)
Amortisation of finance costs	107	107
Defined benefit pension schemes	(1,227)	(978)
Operating cash flows before movements in working capital	**(1,432)**	**(5,967)**
Movements in working capital		
Increase in stock	(12)	(15)
Decrease in rental and other debtors	539	1,886
(Decrease)/Increase in trade and other creditors	(1,306)	642
Net cash generated/(used) from operating activities	**(2,211)**	**(3,454)**

* The comparative financial information for the year ended 31 March 2019 has been restated. Further details can be found in notes 2 and 35.

33. Number of homes in management and development

	2020 Number	2019 Number
Social housing units		
Owned by the Charity	693	664
Managed on behalf of other organisations	288	288
Non-Social housing units		
Leased or part leased investment properties	2,338	2,137
Other		
Social housing properties managed under a partnership arrangement	431	431
Non-Social housing properties managed under a partnership arrangemrnt	167	167
	3,917	**3,687**
Homes in development at 31 March		
Supported housing	52	98
Leased or part leased investment properties	269	392
	321	**490**

The classification of properties has been changed to better reflect the operating arrangements of those properties. The 2019 comparative figures have been re-aligned to these categories.

34. Financial instruments

The carrying value of the Group and Charity's financial instruments at 31 March were:

	Group 2020 £'000	Group 2019 £'000	Charity 2020 £'000	Charity 2019 £'000
Financial assets				
Debt instruments measured at amortised cost				
Trade and other debtors	2,313	2,847	2,554	3,072
Cash	5,202	2,715	5,189	2,656
	7,515	**5,562**	**7,743**	**5,728**
Financial liabilities				
Measured at amortised cost				
Trade and other creditors	446,414	62,290	446,304	57,347
Loans	139,745	149,020	139,745	149,020
	586,159	**211,310**	**586,049**	**206,367**

35. Prior period adjustment

In 2019/20, following a review and re-confirmation of its strategic plans and to coincide with end of the corporate planning period (2017-20) and the start of a new corporate planning round, the Charity performed a review of its accounting policies. The Charity has reassessed the accounting treatment for recognising revenue on the sale of leasehold properties and has determined that a more appropriate treatment is to recognise the transaction as a lease arrangement on the basis that the Charity retains the risk and reward. Further information is provided in Note 2.

A summary of the impact the adjustments made by the Group in restating its previous financial statements, including the impact on the financial statements as at 1 April 2019, is below:

Consolidated statement of comprehensive income

		Published 2019 £'000	Adjustment £'000	Restated 2019 £'000
Turnover	**35.1**	123,256	(85,064)	38,192
Operating expenditure	**35.2**	(102,268)	56,737	(45,531)
Operating surplus/(deficit)		**20,988**	**(28,327)**	**(7,339)**
Gain on disposal of tangible fixed assets	**35.3**	1,227	(1,227)	-
Interest receivable		332	-	332
Interest payable		(3,477)	-	(3,477)
Increase in fair value of investment properties	**35.4**	-	63,263	63,263
Surplus before tax		**19,070**	**33,709**	**52,779**
Taxation		-	-	-
Surplus for the year		**19,070**	**33,709**	**52,779**
Other comprehensive pension expenditure		(3,830)	-	(3,830)
Defined benefit pension costs recognised in other comprehensive income		(2,661)	-	(2,661)
Total comprehensive income for the year		**12,579**	**33,709**	**46,288**

35. Prior period adjustment (continued)

Statement of financial position

		Group			Charity		
		published		restated	published		restated
		2019		2019	2019		2019
		£'000		£'000	£'000		£'000
Fixed assets							
Intangible assets		198	-	198	198	-	198
Tangible fixed assets	**35.5**	206,296	539,530	745,826	206,296	539,530	745,826
		206,494	**539,530**	**746,024**	**206,494**	**539,530**	**746,024**
Current assets							
Stocks and assets held for disposal	**35.6**	4,166	(4,046)	120	4,046	(4,046)	-
Work in progress	**35.7**	79,423	(79,423)	-	79,423	(79,423)	-
Trade and other debtors		3,917	-	3,917	3,839	-	3,839
Cash and cash equivalents		2,715	-	2,715	2,656	-	2,656
		90,221	**(83,469)**	**6,752**	**89,964**	**(83,469)**	**6,495**
Creditors: Amounts falling due within one year	**35.8**	(19,364)	(329,107)	(348,471)	(19,124)	(329,107)	(348,231)
Net current assets/(liabilities)		**70,857**	**(412,576)**	**(341,719)**	**70,840**	**(412,576)**	**(341,736)**
Total assets less current liabilities		**277,351**	**126,954**	**404,305**	**277,334**	**126,954**	**404,288**
Creditors: Amounts falling due after more than one year		(191,626)	-	(191,626)	(191,626)	-	(191,626)
Defined benefit pension liability		(12,640)	-	(12,640)	(12,640)	-	(12,640)
Other provisions		(61)	-	(61)	(61)	-	(61)
Total net assets		**73,024**	**126,954**	**199,978**	**73,007**	**126,954**	**199,961**
Capital & reserves:							
Restricted reserves	**35.9**	9,870	(3,199)	6,671	9,780	(3,109)	6,671
Revenue reserves	**35.10**	63,244	130,063	193,307	63,227	130,063	193,290
		73,114	**126,864**	**199,978**	**73,007**	**126,954**	**199,961**

35. Prior period adjustment (continued)

Statement of financial position

		Group			Charity		
		published 2018 £'000		restated 2018 £'000	published 2018 £'000		restated 2018 £'000
Fixed assets							
Intangible assets		264	-	264	264	-	264
Tangible fixed assets	**35.5**	181,919	445,512	627,431	181,919	445,512	627,431
		182,183	**445,512**	**627,695**	**182,183**	**445,512**	**627,695**
Current assets							
Stocks and assets held for disposal	**35.6**	6,344	(6,239)	105	6,239	(6,239)	-
Work in progress	**35.7**	85,183	(85,183)	-	85,183	(85,183)	-
Trade and other debtors		5,803	-	5,803	5,852	-	5,852
Cash and cash equivalents		252	-	252	119	-	119
		97,582	**(91,422)**	**6,160**	**97,393**	**(91,422)**	**5,971**
Creditors: Amounts falling due within one year	**35.8**	(17,085)	(260,845)	(277,930)	(16,913)	(260,845)	(277,758)
Net current liabilities		**80,497**	**(352,267)**	**(271,770)**	**80,480**	**(352,267)**	**(271,787)**
Total assets less current liabilities		**262,680**	**93,245**	**355,925**	**262,663**	**93,245**	**355,908**
Creditors: Amounts falling due after more than one year		(195,307)	-	(195,307)	(195,307)	-	(195,307)
Defined benefit pension liability		-	-	-	-	-	-
Other provisions		(6,928)	-	(6,928)	(6,928)	-	(6,928)
Total net assets		**60,445**	**93,245**	**153,690**	**60,428**	**93,245**	**153,673**
Capital & reserves:							
Restricted reserves	**35.9**	9,276	(2,408)	6,868	9,276	(2,408)	6,868
Revenue reserves	**35.10**	51,169	95,653	146,822	51,152	95,653	146,805
		60,445	**93,245**	**153,690**	**60,428**	**93,245**	**153,673**

Statement of changes in reserves

	Group		Charity	
	Restricted reserve £'000	Income and expenditure reserve £'000	Restricted reserve £'000	Income and expenditure reserve £'000
At 1 April 2018 as presented	9,276	51,169	9,276	51,152
Prior period adjustment	(2,408)	95,653	(2,408)	95,653
At 1 April 2018	6,868	146,822	6,868	146,805
Surplus for the year, as presented	-	10,237	-	10,237
Adjustment for restatement	-	36,051	-	36,051
Transfer to/from restricted reserves	(197)	197	(197)	197
As at 31 March 2019	**6,671**	**193,307**	**6,671**	**193,290**

35. Prior period adjustment (continued)

Summary of adjustments arising from accounting policy change:

35.1 Income from property sales is no longer recognised as income. This is because the buyback clause in our lease means that the risks and rewards associated with ownership are not transferred and the transaction is recognised as a lease arrangement. As a result all previous income for what would previously have been terms 'sales' or 'resales' is removed from turnover as the sale is reversed. This reduces turnover. See also 35.9.

35.2 As the leasehold property is not now 'sold', there is no cost of sale and all such previously recognised costs are reversed.

35.3 There is no resale disposal of any fixed asset, since the leasehold property is not now accounted for as a 'sale'.

35.4 Properties granted under a leasehold are now recognised as investment properties. They are measured at each period end at their value. This line represented the movement in the fair value for the stated period.

35.5 There is a two-fold adjustment - 1) Costs previous recognised as cost of sales are brought back onto the balance sheet, and 2) these are then adjusted to reflect their fair value as investment property.

35.6 This value previously represented those leasehold properties which had been sold, bought back and were awaiting a subsequent resale. Since the transaction is no longer considered a 'sale' there can no longer be any stock bought back as no sale was initially made. The combined balance of property is now treated as investment property.

35.7 This value previously reflected leasehold property assets under construction, with these properties to be sold upon completion. This is no longer included as there is now no longer a sale. The assets value is now shown as Plant, Property and Equipment under construction.

35.8 Previously shown as a contingent liability, the liability for repayment upon the termination of a property lease is now recognised as a creditor. The granting of property leases is treated as financial instruments and as the terms of the lease include repayment upon demand, the buyback liability is necessarily reflected within creditors under 1 year. In practice, our experience of lease surrenders is that this pattern of buybacks does not materialise but to adhere to accounting standards these are shown as creditors under 1 year.

35.9 Lease income was previously recognised at the point that the buback liability was repaid, and shown as a restricted reserve. There are no restrictions on what the Charity uses these funds for, and these have been reclassified as revenue reserves.

35.10 This is the cumulative effect on revenue reserves for the above. All surpluses previously recognised on 'sale' or 'resale' have been removed and historic fair value gains included.