**Honeycomb Group Limited**
**Registered Provider**
**Financial Statements**
**For the Year Ended 31 March 2020**
**Co-operative and Community Benefit Society**

Contents

**HONEYCOMB GROUP LIMITED**

**INFORMATION**

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| **CHAIR:** | Mr A Spencer |
| **SECRETARY:** | Mr R Morton |
| **REGISTERED OFFICE:** | 308 London Road<br>Stoke-on-Trent<br>ST4 5AB |
| **AUDITOR:** | Beever and Struthers<br>St. George's House<br>215 – 219 Chester Road<br>Manchester<br>M15 4JE |
| **BANKERS:** | NatWest<br>1 Upper Market Square<br>Hanley<br>ST1 1NS |
| **CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETY NUMBER:** | 17093R |
| **REGULATOR OF SOCIAL HOUSING REGISTERED NUMBER:** | LH2162 |

# Board Report incorporating the Strategic Report and Value for Money Statement

The board members present their report and the financial statements for the year ended 31 March 2020.

**Change of Legal Entity names and re-branding**

For more than 12 months we asked questions of ourselves, our customers and our stakeholders and developed a much clearer sense of who we are, why we're here and what distinguishes us from other organisations.  In September 2019, we said goodbye to the name Staffordshire Housing Association Limited and launched Honeycomb Group with a set of shared values with our subsidiary companies.

Customers and stakeholders were often confused about what our offer was, so we launched five distinct brands (trading names) to operate externally - each with their own clear approach and customer promises to achieve our shared Group objectives. Well received by customers and stakeholders, the brands have helped us to stand out as specialist providers in our sectors.

The Group legal structure remains unchanged and includes;

- Honeycomb Group Limited (Parent Company - includes brands Honeycomb Group, Staffs Housing and Revival);
- Honeycomb Charitable Services Limited (trading as Glow and Concrete);
- Stillness (924) Limited;
- Blue Mountain Housing Association Limited (dormant); and
- Search Housing Association Limited (dormant).

**About Honeycomb Group (The Group)**

We're Honeycomb Group and we're championing happy homes across Staffordshire and its surrounding areas.

Like a hive, our region depends on happy homes to thrive because a happy home means a vibrant, buzzing community and secure, connected, confident people who are ready to take life's opportunities. From our beginnings bringing high-quality affordable housing into the region to now working with people throughout the community to break the barriers isolating them from a happy home, we're dedicated to making sure everyone in this region knows the comfort of home.

Whether it's developing and maintaining affordable homes, providing trusted home repairs and improvements, keeping people safe and well at home or providing support services, we're tackling the social issues that can isolate people from a happy home - Honeycomb Group is making our region vibrant.

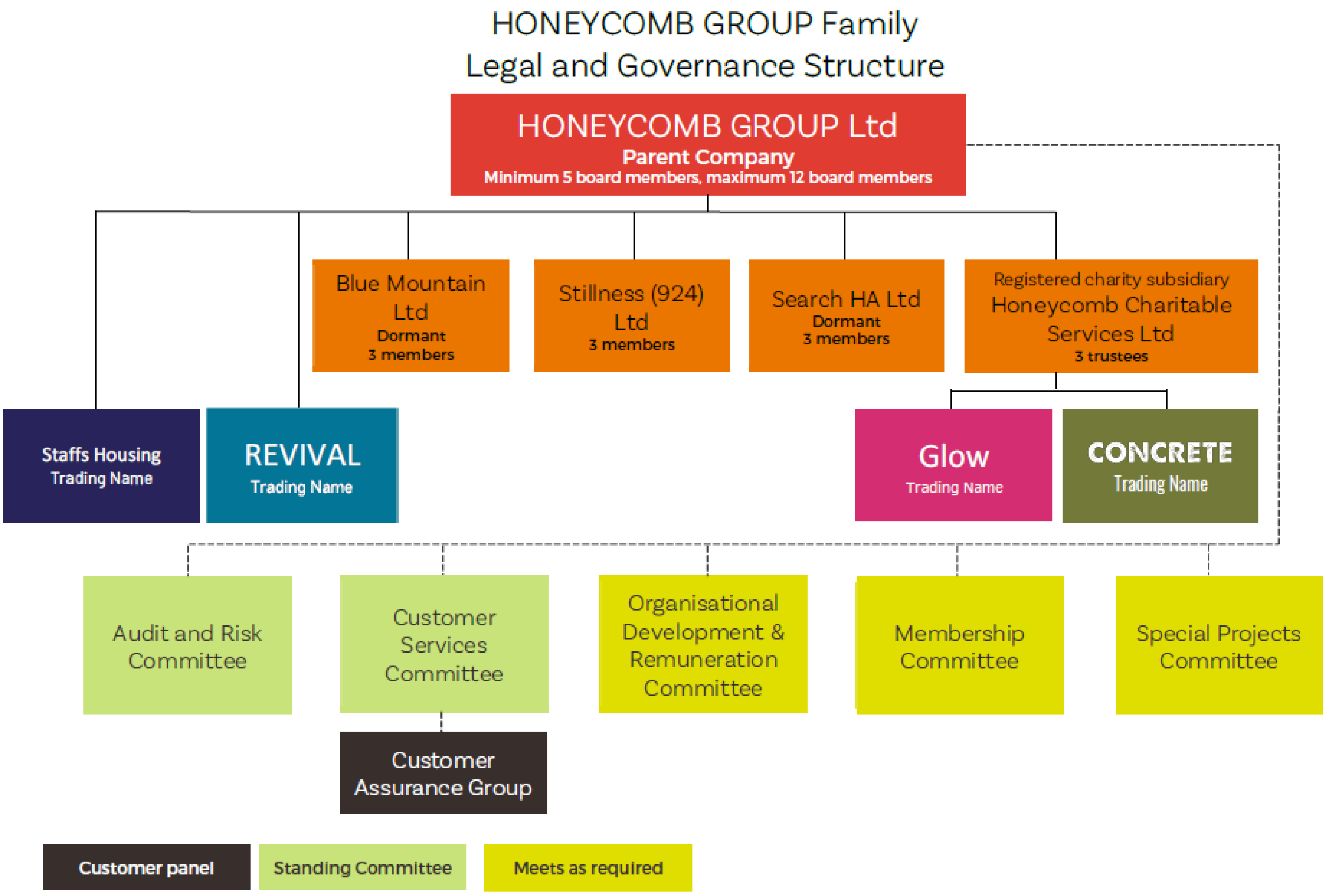
Our Vision: A progressive, passionate region with no barriers to a happy home.

Our Mission: Breaking barriers, building people, bettering homes.

Our Values:

- Be dead genuine
- Never shut the door
- Chase curiosity and ambition
- Be a leader in the field
- Come together

**Legal and Governance Structure**




**Our Brands**

Staffs Housing:
Staffs Housing is a leader in providing quality affordable housing to Staffordshire, Cheshire and the surrounding areas, ensuring there are no barriers to home-seekers finding a place they're proud to call home.

Revival:
Revival is the local home improvement and support specialist, providing Stoke-on-Trent, Staffordshire and surrounding areas trusted home repairs, improvements, adaptations, expert advice and a range of friendly wellbeing support to ensure everyone is happy in a home they love.

Glow:
Glow is a charity on a mission to end relationship abuse, campaigning for change and providing support throughout Staffordshire and its surrounding areas. Through a full-circle approach, Glow seeks to address the issues from every angle, ensuring that no member of the community is vulnerable to an abusive relationship.

Concrete:
Concrete is a local charity, support network and campaigner leading the fight to erase homelessness within Staffordshire and its surrounding areas. Through a community-led approach, Concrete helps those without a plan, without a voice and without a home to build concrete futures by tackling the underlying issues that keep people from finding and securing a home of their own.

Hummingbird:
Hummingbird is our commercial arm, through which we deliver profit-making services and initiatives in line with our vision. Hummingbird is a trading name of Stillness (924) Limited.

**Corporate Governance**

The Board's key purpose is the effective governance of the Group. Throughout the year the Board has continued to implement strategies which ensure the overall governance arrangements are fit for purpose and effectively support the needs of the business.

During the year the Board, with the support of an independent governance advisor, has:

- Supported by external advisors, reviewed and implemented a new brand structure for the Group and completed the preparation work for a new five-year Group strategy.
- Continually looked at the way the board operates and, with independent support, implemented a range of improvements to the overall governance of the Group.
- Used the learning from the board appraisal process to support personal and collective development.
- Held strategy and training sessions to support the understanding of the changing operating environment and context.
- Completed individual and collective appraisals in accordance with our policy.
- Reviewed and completed our self-assessment of compliance with the NHF Code of Governance (2015).
- Granted a temporary extension of term of office for one board member (Chair of Audit and Risk). Due to unforeseen circumstances, the continuation was required in order to ensure that the overall balance of skills and expertise continued to meet the needs of the business and mitigate risk. This was resolved in September 2019 and the Board has now assessed its compliance with the code.
- Reviewed and completed our self-assessment of compliance against the regulatory standards. Continued our review of compliance with all relevant law and identified some areas for further development.

The Board self-certifies that, having taken reasonable steps to ensure compliance, the Association and Group are compliant with the Governance and Financial Viability Standard.

**Looking ahead we will:**

- Launch a five-year strategy and plan for the Group and its brands
- Complete the succession planning for the Chair of Audit (completed July 2020)
- Finalise next phase of succession planning for the board
- Implement the Commercial Committee
- Review committee and subsidiary board membership
- Continue to embed our approach to value for money

**COVID-19 – Overall Risk to Operations**

Since 31 March 2020, the spread of COVID-19 has severely impacted many local economies around the globe. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses in the UK and worldwide, resulting in an economic slowdown.

We have conducted a detailed risk analysis of the potential worse case impact of the COVID-19 outbreak and expect that the key impacts on our financial position and business performance to be as follows:

- Rental income-stream; being the likely short-term impact of irrecoverable debt caused by higher customer arrears.
- The longer-term impact on the 30 Year Business Plan of any prolonged period of low rental inflation.
- Delays in our Development programme due to the temporary Lock-down of the Construction sector.
- Loss of Commercial Income and increased costs of working.
- Health & Safety failure due to inability to access customers' homes to carry our essential maintenance and servicing.

The Group's business plan is sufficiently robust to withstand the impact of this worst-case scenario and has undergone appropriate stress testing and sensitivity analysis during the year.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 March 2020 have not been adjusted to reflect their impact.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods. We continue to stress test the business plan and assess emerging risks arising from COVID-19

**Development Activity**

Despite ongoing uncertainty over the year as a result of the UK's planned exit from the EU, Honeycomb Group has managed to continue to grow its stock by 130 units. We continued to provide a range of affordable housing and low-cost home ownership options and are working hard to continue to find a range of development opportunities to increase our long-term development programme capacity.

Development activity in the year has seen a broad range of property completions including 37 units via Section 106 (s106) development arrangements. These are properties that to be used as affordable housing, the developer needed to sell at a discount to a Registered Provider. A further 34 units were completed using Homes England grant funding.

Our programme saw the handover of the final 19 houses at the Saxon Gate site on the outskirts of Crewe. We also completed houses in phase 2 at the same development, adding a further three houses for Affordable Rent and two houses for shared ownership.

We also took handover of 13 houses for Affordable Rent and shared ownership sale at the Abbeyfields s106 development in Sandbach.

The final 10 affordable rent properties in this phase are due to be completed in December 2020.

We began work on the two brownfield sites we bought in Stoke-on-Trent last year. Land at the former Swallows Nest public house in Newstead went out to competitive tender for the development of 10 bungalows and the scheme was completed in March 2020. Two of the bungalows have been built specifically for families with a child who has a life-limiting illness and are being let to tenants referred by Donna Louise Trust (a local hospice supporting families with children who have life-limiting conditions). The remaining eight bungalows are Affordable Rent properties for over 55's.

Our second brownfield site development is at the former Station Hotel in Meir. This scheme will provide an additional 18 x 2 bed apartments as an annexe to our existing Rowan Village extra care scheme. The site is due to be completed in January 2021.

A negotiated land and build opportunity at Florence School, Dresden, started in January 2019 and completed a month ahead of programme in February 2020. 20 affordable rent houses were built using part of our Homes England grant allocation.

As a part of our commitment to provide accommodation for Honeycomb Group brands Concrete and Glow, we acquired and converted a large Victorian house in Richmond Street, Penkhull. The five self-contained flats will help former rough sleepers out of hostels and into move-on accommodation with support provided by the Concrete team to enable customers into long term, sustainable tenancies. Capital and revenue funding were secured from the Homes England Move-on Accommodation fund. The first 4 flats were completed in March 2020 and the final unit handed over in May 2020.

We also secured Homes England capital and revenue funding to convert one of our existing properties at Mount Pleasant, Chesterton. The outdated, shared, supported housing accommodation will provide 6 x 1 bed self-contained apartments. These homes will be managed by Glow and used as move-on accommodation for customers fleeing domestic abuse.

We have successfully acquired 59 homes in Staffordshire Moorlands via a stock transfer with another registered provider. As a well-trusted organisation in the area, our bid was welcomed by both the tenants and the local authority. This transfer was completed in June 2019.

During 2020/21 we are on site to deliver a further 28 homes:

- 18 apartments at Rowan Village annexe, Meir.
- 10 homes at Abbeyfields, Sandbach.

We also have agreed terms and are in contract negotiations with developers to provide the following schemes:

- 13 homes for rent and sale at Cecily Mills, Cheadle.
- 30 houses, flats and a bungalow (over two phases) at Goldenhill working men's club.
- The completion of the remodelling of Mount Pleasant, Chesterton into 6 x 1 bed apartments.
- 15 homes for rent at Swallow Walk, Biddulph as part of a stock transfer from another registered provider.
- 11 units at Julia House, a refuge managed by Glow which is being transferred from another registered provider
- Dividy Road, Moss Green – 5 x 3 bed houses funded via Voluntary Right to Buy receipts. Work will begin in Summer 2020.

We also have agreed terms and are in contract negotiations with developers for a number of other potential schemes.

**Housing Services**

Our Fair Deal agreement outlines what our customers can expect from us and what we expect from them in return. To manage our services effectively and efficiently we ask our customers to pay their rent one month in advance and by Direct Debit (DD).

- By 31 March 2020 the proportion of tenants who pay using direct debit had increased to 39%
- 75% of customers are now paying their rent in advance

Our Money Advice team raised or saved £950,157 for customers by helping people complete applications for unclaimed benefits, making debt management arrangements, and obtaining grants for essential furniture items. This has had a positive impact on the quality of life for a significant number of our tenants.

We have provided one-to-one support for all customers affected by the introduction of Universal Credit (UC). Full digital UC has been rolled out across all our areas of work, resulting in increased numbers of tenants claiming UC. Rent arrears for those in receipt of UC was £69,915 at year end – around a quarter of the total arrears' debt.

We sold 14 shared ownership homes during the year and six shared ownership staircasing sales. We completed six resales of leasehold homes for elderly people. A further five properties were sold as part of the government's Voluntary Right to Buy pilot scheme

- We let 37 new homes during the year.
- Our average time to re-let social rent homes was 19 days and void rent loss for these homes was 0.89% of rental income.
- In one of our extra care schemes we ended the private catering provision and replaced it with an in-house provider to improve the quality of the service and, in the longer term, reduce costs across our catering service.
- Our housing teams have begun to work in a more agile way this year with the introduction of a digital platform that allows teams to record interactions and provide services away from the office in customer's homes.
- We have improved mobility scooter storage facilities in one of our extra care schemes, in line with fire safety guidance, so the scooters can be stored and charged safely.
- We have successfully managed the change to a new care provider in both extra care schemes
- We have replaced the communal furniture at both of our extra care schemes this year and we are continuing to invest in facilities to enhance our tenants experience and provide the best facilities for the comfort and wellbeing of residents.

**Asset management and property maintenance**

During 2019/20 the Group invested £956,000 in capital programmes which included:

- 92 replacement kitchens
- 46 replacement bathrooms
- 21 major adaptations
- 55 replacement boilers
- 69 storage heating system replacements

By replacing less efficient electric storage heaters we have saved an estimated £14,000 in fuel costs for residents and improved the energy efficiency of these homes in line with our affordable warmth strategy.

The organisation is committed to making its properties more energy efficient either through the newbuild process or implementing planned programmes such as the replacement of inefficient storage heaters and achieving minimum SAP ratings.

We have installed cavity wall insulation in 199 homes using £361,000 free funding, with customers saving an estimated £7,960 per year from their energy bills.

We have also extended our current price-per-property maintenance contract for a further two years, providing a stable cost environment until 2021. We are in the process of transferring our stock condition data over to our integrated ICT system. Using a new scenario planning module, we will be able to improve the planning of our asset investment programmes and planned maintenance expenditure.

We are also introducing an integrated mobile asbestos inspection software. This will make the planning of our surveys more efficient and help us with re-inspections where we are managing known asbestos containing materials in properties.

**Health and Safety**

During 19/20 we completed:

- 1,509 gas safety checks
- 655 electrical inspection reports
- 552 scheduled scheme visits by technical staff
- Fire risk assessments at 117 schemes (so that all required buildings had up to date fire risk assessments)

**Social value / working with communities and residents**

In 2019/20, we continued to identify and develop opportunities that added social value to our organisation and made a positive impact on our residents, customers, staff and the wider community. Here are the highlights from the 26 projects we've delivered.

**Health, wellbeing and ageing well agenda**
We delivered eight projects including support for older people with chair-based Pilates and yoga, provided a new pergola and seating area at one of our schemes, and a poetry memorial book to remember a well-loved and active resident.

**Financial and digital inclusion:**
The four projects included support for Christmas food hampers and toys for people, providing much needed personal essentials for men on a rehabilitation journey and launching a digital inclusion campaign for across Honeycomb Group.

**Employment, training and skills:**
We supported a recovery and rehabilitation programme delivered by faith-based organisation Walk Ministries and Liberty Farm, by donating much needed gardening and grounds maintenance tools.
We also funded a mental health first aid course for residents, customers and volunteers to become 'mental health champions' to help them identify and support those suffering with poor mental health.

**Cleaner greener safer neighbourhoods:**
We provided support for a school wildlife garden and pond in Leek, a street tidy-up and tree planting day with residents, and a community room make-over.

**Environmental sustainability:**
We have updated our Environmental Sustainability Strategy to reflect Honeycomb Group going forward, with an action plan to reflect these changes and implement sustainable change. To support and get ready for future improved changes, three projects were completed including introducing recycling facilities at one of our Glow Refuges.

**Fundraising:**
We successfully bid for a £9,710 grant from the National Lottery to deliver a one-year project to help connect our customers to local green spaces. We are working in partnership with Staffordshire Wildlife Trust planting wildflowers.

**Communications, Marketing and Engagement**

The team works across the Group and are responsible for the following eight key areas across all five brands: marketing, digital communications, engagement, brand reputation, marketing fundraising, external communications, PR and media relations and public affairs.

In the last year the team have:

- Built five modern, well-developed, customer informed websites.
- Rebranded and relaunched our intranet increasing use by 15% (75-80% of staff now use The Hive on a daily basis).
- Increased our social media reach to 1.6million though innovative, interesting social media content and the use of videos and interactive media via Facebook, LinkedIn and Twitter.
- Internally launched the brands through a teaser campaign and all staff engagement event (#thisisus).
- Externally launched our brands through social media, print, video, marketing collateral, van livery and rebranded our head office.
- Developed a Group engagement strategy responding to Best Companies results to achieve our business strategy objectives to become the local employer of choice and offer a fantastic employee experience through our flexible, caring, wellbeing focused culture.
- Played a key role in the lettings review process by creating desirable marketing adverts online, overhauling the long application form and driving more digital applications through our website.
- Created strategic social media campaigns to increase the sales of shared ownership and double the revenue on the shared ownership staircasing campaign.
- Developed strategies to maintain our brand reputation through tone of voice training for teams across the Group and encouraging more staff to engage on social media.
- Overhauled and relaunched the Staffs Housing customer magazine. Responding to customer feedback we've creative a fresh, modern, informative magazine.
- Exceeded our PR targets with 60 media stories published across the Group and our last 4 campaigns covered by our local radio stations.
- Supported the fundraising team by planning the Christmas campaign from concept to delivery in just 6 weeks, writing fundraising copy, the setup of all Just Giving appeal pages, and created our new fundraising pack.
- Marketing of Glow's Relationship without Fear programme to increase the number of schools accessing our services.
- Actively engaged with our local MPs, meeting with them to discuss the role the Group plays in the community, with Stoke Central MP Jo Gideon regularly supporting us via social media and requesting expert advice from our teams on domestic abuse and homelessness services in Stoke-on-Trent.

**Business Improvement**

Our business improvement team works with frontline and back office teams to review procedures and streamline processes using the Six Sigma lean principles. We work with teams on key business processes, helping them prioritise the areas where reviews will have the biggest impact.

The team are also involved in the design, implementation and embedding of our project management methodology and ensure robust business cases are made including cost, quality, timescales, risk, measurable outcomes, and benefits. All projects are aligned to the corporate strategy and consider possible alternative approaches and our organisational capacity to deliver the projects.

The team leads on value for money (VFM) by ensuring all staff are trained in VFM principles and supporting staff to capture their team's achievements on a VFM database.

Honeycomb Group has several ongoing transformational projects to improve back office processes.

We are using our lean business process review model to ensure the processes that are transferred to digital systems are as efficient and user-friendly as possible.

ICT front line and central service solutions

In June 2019, we launched the following new software systems to improve our front-line customer service, mobile working and data management.

- **CRM system 'Journey'** This provides us with much clearer information about customer contacts, gives us greater insight into the needs of our customers, and improves efficiencies across front line services. All our anti-social behaviour and complaints cases are also logged on Journey ensuring consistency, improving both the accuracy of information and overall customer experience.

- **EDRM document management system** allows us to manage our customer and property data in one place and meets GDPR requirements.

- **Agile**, our staff app has mobilised our workforce. The new digital forms and access to customer data means we spend less time filling in paper forms and more quality time with our customers.

We are also developing a new lettings process to create a more streamlined, digital process for customers. Properties are advertised on Rightmove and digital tenancy agreements are being introduced for new tenancies.

We are continuing to streamline the sign-up process by using digital processes to simplify and improve the customer experience.

We have invested in our repairs and maintenance systems by merging data into one central system to provide mobile access to surveys, improve accuracy of data and, provide better forecasting around planned maintenance resulting in better property/scheme management, cost savings and better quality homes.

System health checks have taken place across current arrears and voids. The checks have ensured we use the best technology available to us, helped us simplify the processes, guaranteed we're learning from best practise and empowered teams to champion the systems they use.

We are continuing to expand on the number of payment options available to customers by launching digital/contactless payment options in our supported housing schemes. We are also developing online payment systems for all customers.

Development continues on a 'purchase to pay' system for all group teams, replacing paper expense and invoice processing with a workflow driven digital solution.

We have invested in a modern sales ledger solution that will provide long-term capability for the finance team, allowing them to automate, streamline and digitise sales processes.

We are continuing to develop our HR systems and have introduced 'My Check In'" a digital approach to modernise the traditional appraisal. This enables employees to track their priorities, performance and personal development as well as linking individual priorities to the strategic priorities of the organisation.

Data

Business intelligence and data is central to delivering excellent customer service. A new data maturity and quality framework has been developed and we have invested in new data solutions from ICT provider, so we can better harness, analyse and report on our data. It also means we can now predict future trends and changes in data so we can target key areas that need focus in the short- and long-term future.

Infrastructure and security

To keep the Group connected, scalable and fit for the digital future; we're improving our server and storage systems and internet connections across all offices.

We want our staff to enjoy a reliable and high-quality IT desktop experience, no matter where they work. We've invested in Citrix and Exchange solutions to support increased remote working and meet the latest technology industry standards.

We've also invested in a new secure email solution to ensure we are sharing customer data safely. It's available for teams and partners and means we can now meet data security regulatory requirements and include it as an improved service offer in bids and tenders.

To reduce the risk of cybercrime we have added a two-factor authentication to our log on system and ran a successful phishing campaign to test the cyber security awareness of all staff with our results beating the average national targets.

ICT communications

- **Skype telephone system** We're continuing to work on the new Group-wide telephone system through Skype to improve customer service continues to deliver a new group and office-wide telephone system to improve our customer service**.**
- **Communications Manager** – Through our CRM system Journey this will allow us to send single or bulk SMS or emails to staff and customers. This will provide another self-service option for customers as they will also be able to reply via SMS to pay their rent or check their rent balance.
- **Printing** - Following the rebrand and to reduce costs and improve quality and consistency we have launched a new printing solution for letterheads.
- **Microsoft 365 –** We have now launched Microsoft 365 through Citrix for all teams including the product Teams to improve remote working, host meetings and bringing teams and offices closer together.

Our digital transformation plan continues to place more emphasis on customers using self-service options. By introducing staff and customer apps we will ensure customers are as digitally engaged as possible with the option to communicate and transact with us effectively, efficiently and safely.

**Evaluation**

We evaluate our service performance using a balanced scorecard to measure our key performance indicators for financial, operational process, people (our staff) and customer-based targets. We gather feedback from customers in a range of ways including satisfaction surveys and publish their comments and results in our performance reports.

Our Customer Services Committee, a subcommittee of the Board, ensures the Board of Management understands who Honeycomb Group's customers are and how the organisation engages with and delivers a range of services to different customer groups. Led by the Executive Team, performance is scrutinised in several ways. The Board of management receive a regular report on performance and is supported by the Audit and Risk Committee, the Customer Services Committee and a scrutiny panel that includes Staffs Housing customers and Board members.

**Customer Engagement**

Giving customers a voice is a hugely important part of Honeycomb Group and our customer engagement strategy reinforces our approach, ensuring we listen to our customers giving them a voice and influence over the services they receive. We've introduced a quarterly customer intelligence report to provide both statistical and testimonial information of how our services are being received by customers. These reports enable our customer assurances panel to monitor and challenge how we deliver our services.

Our customers are continuing to carry out mystery shopping sessions resulting in a change to the standards and conditions of homes. We have recruited more customers to our engaged panel and reviewed our approach to scrutiny. We have carried out a scrutiny of day-to-day repairs resulting in improved customer experience training for contractors, the introduction of regular call audits, and improved satisfaction surveys.

We have carried out 54 activities over the past 12 months and engaged with 367 customers through assurance panels, scrutiny groups, mystery shops, coffee mornings, meetings with our executive team, website scrutiny groups, and residents' groups.

**Complaints**

Formal complaints are used as a valuable form of customer feedback. We don't set targets for the number that we receive but we do aim to resolve them as early as possible.

In 2019/20 we had 37 complaints closed in the year; 32 for Staffs Housing and Revival, 94% of these were resolved at the first stage and 84% were resolved within the target of 14 days (27 of the 32). 72% of all complaints we received were related to the repairs service.

Five complaints were closed for Concrete and Glow; all were resolved at the first stage

**Revival**

Here at Revival we believe a home should be the place where customers feel at their best. Whether it's helping someone tackle a repair for their changing needs or providing companionship to someone who feels isolated, we're bringing life back into spaces and places to help people live happier and longer at home. We have core contracts with Stoke-on-Trent City Council, Derbyshire County Council and the North Staffs Clinical Commissioning Group.

We primarily provide support to people who are elderly, disabled or vulnerable, across all housing tenures, to help them remain independent in their own home.

Our Home Support service is funded by the North Staffordshire Clinical Commissioning Group. We have a team of support workers who help customers for up to 6 weeks following a discharge from hospital ensuring they have access to and support from other organisations and charities. We have a dedicated tradesperson services to provide minor aids and equipment, such as key safes or grab rails.

The Home Support Service received 1,249 referrals in 2019/20, completed 712 hospital bedside assessments and 795 home visit assessments. We carried out 950 interventions including delivering emergency food parcels, fitting temporary key safes or helping with benefit applications.

We also carry out falls assessments for Stoke-on-Trent council and have assessed 217 customers resulting in 90 interventions such as medication reviews with the GP.

Our volunteer officer also matches volunteers with customers to provide short term befriending services to those who are identified as lonely or isolated. This year 26 volunteers and 21 customers were a part of this service.

January to April 2020 we delivered our Home from Hospital services to 33 Staffordshire County patients in both County Hospital Stafford and Royal Stoke.

Our Getting Connected project funded by the Big Lottery saw us reach 56 of customers, with 18 volunteers.

In Derbyshire we started our Independent Living Service on 1 November 2019. This service provides floating support for people over 55 on a low income in the Derbyshire Dales and Erewash. From November to March we supported a total of 13 customers in Derbyshire Dales and 23 customers in Erewash.

In partnership with Derbyshire County Council we completed initial assessments for 87 people in Derbyshire Dales and 102 in Erewash who needed a community alarm fitted. In addition to this we also deliver the falls recovery service 24/7 365 days of the year. This service helps people who have had a fall but are not injured and don't need hospital treatment. Using specialist equipment, we help people back on their feet and between November 2019 and March 2020 we supported 7 customers in Derbyshire Dales and 15 in Erewash.

Our Home Improvement Officer generated fee income of £7,188 (net) between April 2019 and March 2020 on a value of work of £48,865 (all contracted cases) through our commercial project management service. This service also helps customers access funding if available to them, and then to have the necessary repairs, improvements or disabled adaptations carried out by the competent contractors on our Trustmark panel or the tradespeople who work on our Revival team. We helped customers access £24,661 of funding.

The Home Repairs and Improvements Team have:

- Helped 213 customers in the community earning £22,316.
- Completed 183 jobs for Staffs Housing (including a replacement door programme), Glow and Concrete generating £46,961.
- The tradespeople team also completed target hardening works including the installation of low-level measures to support local authority priorities on Domestic Violence re-offending. There were 53 referrals and the value of the work was £8,216 labour and £13,796 for materials.

In total Revival supported 2734 customers, raising £48,045 in grants with an annual benefits value of £152,523.

**Glow and Concrete (trading names of Honeycomb Charitable Services Ltd)**

In September 2019 we said goodbye to the name Arch (North Staffs) Ltd and launched Glow and Concrete with a shared set of values with Honeycomb Group (parent company). The new brands have helped us stand out as specialist providers in our sectors. Glow is on a mission to end relationship abuse and Concrete is leading the fight to make homelessness history.

During the year the charity worked in Stoke-on-Trent, Staffordshire, Derby and Derbyshire engaging 4,000 children, young people, adults, families and professionals in activities to achieve our Group mission – breaking barriers, building people, bettering homes.

Ending relationship abuse and making homelessness history received renewed commitment from the Government during the year. From the appointment of sector and domestic abuse specialists, the posts of Minister for Civil Society and the first Domestic Abuse Commissioner to the injection of funding to support rough sleepers, our causes remained high on the agenda.

Following the loss of commissioned North Staffordshire domestic abuse services in October 2018, the charity embraced its position as an independent provider and continued to champion the needs of victims and their children at a local and national level. Success has been achieved in the growth strategy that was set – securing funding to maintain and enhance refuge and safe accommodation in North Staffordshire, deliver a specialist children and young people's service in Newcastle-under-Lyme and geographically expanding its mission to end relationship abuse into Derby and Derbyshire.

Although Concrete experienced some cuts to local authority contracts for its homelessness services, it was able to expand its partnership work and develop innovative approaches to build concrete futures as part of the Rough Sleepers Initiative and through mobilising the care leaver supported accommodation service with the YMCA.

Concrete's Navigate service which provides intensive service coordination for people leaving custody who are at risk of homelessness was showcased as best practice at the national Navigate Conference.

As the year drew to an end with the COVID-19 pandemic, the charity made rapid changes to the way it worked to respond to the changing and increasing needs of customers. This included the launch of an emergency programme by the Government to support rough sleepers, or those at risk of rough sleeping, to self-isolate to prevent the spread of COVID-19 and offering rough sleepers long-term help to get off the streets.

**Financial Results for Honeycomb Group Limited**

| | Year Ended 31 Mar 2020 | | Year Ended 31 Mar 2019 | |
|---|---|---|---|---|
| | Consolidated £m | Association £m | Consolidated £m | Association £m |
| Turnover | **21.1** | **17.5** | 21.5 | 18.4 |
| Operating Costs and Cost of Sales | **(17.4)** | **(13.8)** | (16.7) | (13.7) |
| Operating Surplus | **3.7** | **3.7** | 4.8 | 4.7 |
| Net Interest | **(3.2)** | **(3.2)** | (3.2) | (3.1) |
| Increase in value of inv. properties | **0.0** | **0.0** | 0.5 | 0.4 |
| Net Surplus | **0.5** | **0.5** | 2.1 | 2.0 |
| Interest Cover as per loan covenants | **n/a** | **121.6%** | n/a | 164.1% |

In addition to component replacement, we continue to invest in our housing stock in line with our asset management strategy through our planned maintenance programme. Investment totalled £531,000 (2019 - £576,000) for the period.

Demand for our Staffs Housing properties remains strong and our void losses were 0.89% (2019 – 1.37%).

All Staffs Housing properties continue to meet the Decent Homes Standard.

| | Year Ended 31 Mar 2020 | | Year Ended 31 Mar 2019 | |
|---|---|---|---|---|
| | Consolidated £m | Association £m | Consolidated £m | Association £m |
| Housing Property (net) | **145.0** | **144.5** | 137.9 | 137.2 |
| Other Fixed Assets | **6.0** | **4.7** | 5.7 | 4.5 |
| Investments in subsidiaries | **-** | **1.7** | - | 1.7 |
| Investment Property | **3.0** | **2.2** | 3.0 | 2.2 |
| Net Current Assets | **2.5** | **1.1** | 7.5 | 6.2 |
| | **156.5** | **154.2** | 154.1 | 151.8 |
| Loans | **70.2** | **70.2** | 68.7 | 68.7 |
| Deferred Capital Grant | **56.5** | **56.5** | 56.2 | 56.2 |
| Revaluation reserve | **-** | **-** | 0.1 | - |
| Capital and Reserves | **29.8** | **27.5** | 29.1 | 26.9 |
| | **156.5** | **154.2** | 154.1 | 151.8 |

The Statement of Financial Position also reflects the investment in housing and component replacement.

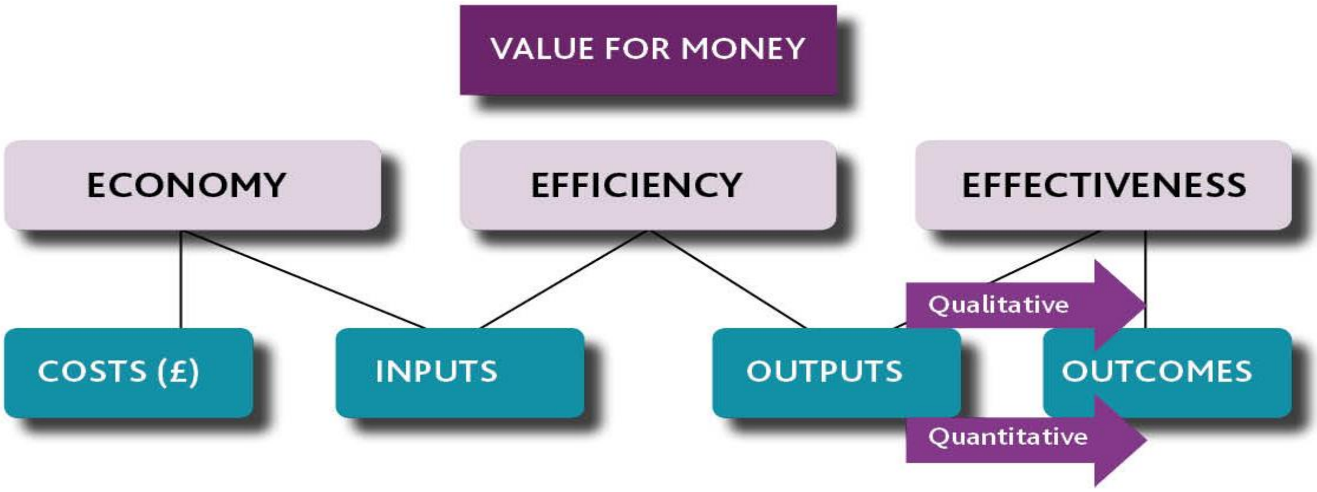
We have added cost to our housing properties of £9.2m (2019 - £4.0m), partly funded by social housing grant (SHG) and other grants of £1,462,000 (2019 - £1,144,000), and the remainder with loans.

**Our Strategic approach to Value for Money**

Our approach to achieving value for money is to deliver our strategic objectives in a cost-effective and quality-focused way. We do this by:

- Having clear strategic objectives which are understood by staff.
- Having robust business planning processes with organisational priorities cascaded to teams and individuals.
- Performance management and scrutiny of processes which drive value for money and continuous improvement.
- Understanding the relationships between costs and the quality of our products and services.
- Benchmarking against our peers by using HouseMark, the Place Shapers group and other networks and setting targets for continuous improvement.

Our aim is to be a high performing business that delivers good quality homes and services. Our approach follows the model shown below:




**Setting our priorities**

Our aim for 2020/21 is to continue the delivery of our strategic ambitions which deal with the medium to long term future of the Group.

- Quality of existing homes and services meets customer and market expectations
- Increase the influence of customers across the Group
- Increase the supply of affordable homes in our region by 600 to 800
- Every brand self-sustaining with a viable social and financial business plan
- 250K increase in surplus per annum
- 250 people prevented from becoming homeless
- 1000 victims of domestic abuse supported, and 5000 people educated
- 3* Best Company accreditation
- 90% of customers tell us that their experience met their expectations
- Governance and compliance G1/V1

The Board has chosen to embed value for money within its stated objectives and priorities rather than adopt a stand-alone value for money strategy.

These objectives and priorities are described in our one-page Strategic level plan and cascaded to the wider organisation through the leadership team plan and the 'My Check In' HR system.

Behind each of our objectives and priorities are measurable targets that are linked to the aims and purpose of the Group ensuring our value for money approach is embedded throughout all levels of the organisation.

In addition to the strategic plan priorities and targets the Board set additional organisational level value for money goals, key performance indicators and targets including those prescribed by the Regulator of Social Housing.

**Risk management**

Risks that may prevent the Group achieving its objectives are considered and reviewed regularly by the Executive team, the Audit and Risk Committee and the Board.

We have a standardised risk management process which operates across the Group ensuring a consistent approach is taken and that there is a robust mechanism for operational risk to be escalated. Identified risks are recorded and assessed in terms of their impact and likelihood.

**Monitoring performance against our priorities**

Performance is monitored by Board through a variety of reporting mechanisms including:

- Quarterly update on strategic priorities and targets.
- Quarterly Balanced scorecard.
- Quarterly Group health check reporting.
- Monthly management accounts.
- Quarterly value for money scorecard and benchmarking.
- Performance reporting and benchmarking in the statutory accounts.

The Customer Services Committee ensures that customers' views and experience of the range of services provided are understood and driving service improvements effectively.

**Investment Appraisal and Decision Making**

A key factor in delivering value for money is effective control and discipline around financial planning, budgetary control and the investment decision making processes. The Group has a set of key controls, reporting and appraisal mechanisms that ensure optimal benefit can be delivered.

This enables effective planning, management and reporting on the Groups financial position so that we can robustly appraise all new business development projects and initiatives ensuring that they meet the organisation's objectives and required rate of return.

The Group maintains an investment decision-making matrix which enables investment decisions to be compared against potential alternative investments.

Where a decision is taken to accept a sub-optimal return from our assets and investment capacity in order to further our social objectives, the rationale for this is articulated and justified.

**Return on Property Assets**

As part of the Group asset and liabilities register a discounted net rent appraisal model is maintained. This model enables a relative comparison of higher performing schemes against lower performing schemes helping us identify those properties which may be poorly performing or at risk; and to determine what action we may want to take via detailed option appraisals.

**Annual Self-Assessment against the Standard**

On an annual basis the Group appraises its compliance with the Regulators Economic and Consumer standards, including the value for money standard. This self-assessment is periodically tested by Internal Audit.

**VfM Highlights – 2019/2020**

**Training and Employment Opportunities**

Customers completed 234 courses from our 'Live and Learn' training programme. This included customers completing 100 courses which have developed skills to give them a basic set of skills that employers are looking for, such as Maths, English and IT skills. They also include courses that the customer can use to access specific industries, such as manufacturing or health and beauty.

**Procurement efficiencies**

Our Value for Money databases captured 67 entries where staff recognised their value for money benefits. Group savings of £54,003 were made, 399 staff hours recovered through efficiency savings and £22,904 was saved on behalf of customers. These savings were made across the group and some examples include:

- Adoption of a digital letterhead printing solution saving £10,000 a year.
- £1,744 saved from a reduction in software licence costs.
- £1000 saved by using a void management energy company to reduce utility costs at void properties.

**Customer relationship and welfare reform**

During 2019/20 we continued to promote our new approach to working with our tenants which we call the 'Fair Deal'. The purpose of the Fair Deal is to underline the importance of a mutually beneficial relationship where we are clear about what we provide and what we expect in our relationship with customers. This transformation of the customer relationship in housing services will ensure that customers are better equipped to manage independently and maintain their rent payments to enable us to focus resources on customers who need additional help to sustain their tenancies. We aim to improve efficiency by enabling customers to use on-line services. This approach will better prepare our customers and the organisation during a period of rapid change with the introduction of Universal Credit (UC) and welfare reform which is changing and reducing tenants' benefits.

We have use two indicators to test progress with embedding the Fair Deal:

- the proportion of tenants who pay using direct debit, which was 39% as at 31st March.
- the proportion of tenants whose account is in credit; 75% of residents are in advance with their rent payment at some point in the payment cycle.

**Money Advice**

Our Money Advice team raised or saved £950,157 for customers through activities such as helping customers complete applications for unclaimed benefits, making debt management arrangements and obtaining grant awards for essential furniture items. This has had a huge impact on the quality of life for a significant number of customers.

**Staircasing of shared ownership properties**

Our shared ownership staircasing promotion project returned £453,000 capital to the business in 2019/20. This has been achieved through:

- Telephone interviews of previous customers to understand the driving force of their decision to staircase seeking feedback on process.
- Conducting research with local estate agents and financial advisors with shared ownership sales experience to understand the market and the ease of raising additional funds.
- The completion of a pilot scheme in Longton area; contacting customers by phone to discuss benefits and rough estimates of costs of staircasing.
- Agreement of an incentive package covering legal and valuation costs.

In 2020/21 we will continue to proactively identify and market to prospective purchasers.

**Asset Management & Property Maintenance**

By replacing less efficient electric storage heaters we have provided an estimated a saving for customers of £14,000 and improved the energy efficiency of these properties in line with our affordable warmth strategy.

We have installed cavity wall insulation to 199 properties utilising free funding to the value of £361,000 with customer saving an estimated £7,960 per year from their energy bills.

We have taken up the option to extend our current price per property maintenance contract for a further two years, providing a stable cost environment until 2021.

**Key Performance Indicators – Looking forward**

In 2020/2021 Board Members will maintain oversight of the Value for Money metrics and performance against approved targets and objectives through the Group’s quarterly Balanced Scorecard and our Value for Money benchmarking reports.

Performance is scrutinised at both Group and individual legal entity levels.

### Regulator of Social Housing (RSH) Value for Money Metrics and Targets

Our performance is benchmarked against the RSH published statistics, and participants in the NHF Sector Scorecard

**Reinvestment %**

This metric looks at our investment in properties (existing stock as well as new supply) as a percentage of the value of total properties held

| | Group | Entity | Commentary |
|---|---|---|---|
| 2020/21 (target) | 7.5% | 7.6% | At both the **Group** & **Entity** level, based on RSH 18/19 statistics we are higher than median performance when compared to the rest of the sector.<br>This metric reflects the progress we made with our investment programme having spent £7.6m in 16.17 and £6.1m in 17.18 on our new property development programme and the capital investment made in our existing stock of £0.8m in 16.17 and £1.1m in 17.18<br>In 18.19 our property development programme expenditure reduced to £4.0m as a result of the timing of new schemes but then has returned to £9.2m in 19.20. Capital investment in our existing stock was maintained with planned expenditure of £1m in 19.20<br>Reinvestment in 19.20 was higher than planned due to the acquisition of 59 units from another Housing provider |
| **2019/20** | **7.1%** | **7.1%** | |
| 2018/19 | 3.6% | 3.6% | |
| 2017/18 | 5.4% | 5.4% | |
| 2016/17 | 6.5% | 6.5% | |
| **2018/19 Benchmarking Statistics** | | | |
| | **Group** | **Entity** | |
| RSH benchmark (median) | 6.2% | 6.2% | |
| NHF Sector Scorecard | 5.4% | N/Av | |

**New Supply Delivered % (Social Housing Units)**

This new supply metric sets out the number of new social housing that have been acquired or developed in the year as a proportion of total social housing units managed at period end

| | Group | Entity | Commentary |
|---|---|---|---|
| 2020/21 (target) | 2.5% | 2.5% | At both the **Group and Entity** level, based on RSH 18.19 statistics, we are at the upper quartile when it comes to number of units acquired or developed.<br>This measure allows us to assess the size of our development programme in relation to the amount of stock we already manage.<br>This makes it possible to compare large landlords delivering volume to smaller landlords concentrating on a particular type of provision or geographical area (such as ourselves).<br>The metric indicates that we are at the upper quartile across the sector reflecting the progress we have made with our property investment and development programme<br>For organisations of our size, the regulators 18.19 statistics indicate that the median is 1.9%<br>For those 305 organisations that participated in the 2018.19 NHF Sector Scorecard benchmarking exercise the median % is 1.0% |
| **2019/20** | **3.5%** | **3.6%** | |
| 2018/19 | 0.7% | 0.7% | |
| 2017/18 | 4.3% | 4.5% | |
| 2016/17 | 1.6% | 1.7% | |
| **2018/19 Benchmarking Statistics** | | | |
| | **Group** | **Entity** | |
| RSH benchmark (median) | 1.5% | 1.4% | |
| NHF Sector Scorecard | 1.0% | N/Av | |

*The New Supply Delivered % (Non-Social Housing Units) VfM metric has not been reported as is immaterial across all reference periods (2019/20 - 0%)*

**Gearing %**

This metric assesses how much our adjusted assets are made up of debt and the degree of our dependence on debt finance.

| | Group | Entity | Commentary |
|---|---|---|---|
| 2020/21 (target) | 46.7% | 48.5% | At both **Group and Entity** level, based on RSH 18/19 statistics, our gearing % is above the median when compared to the rest of the sector.<br>As the Association is restricted by Gearing covenants in lending agreements there is a limit as to how much we can leverage debt to fund future development. A working group has been formed to understand how our loan portfolio could be restructured in order to increase capacity.<br>Based on the VfM definition of Gearing % our upper limit is currently 58.7%. This shows that the Group has significant borrowing headroom (£17.6m) to deliver our development strategy.<br>In 2019/20 we increased the size of our Revolving Credit Facility and arranged a deferred drawdown financing agreement (due in Dec-20) in order to expand our development programme. |
| **2019/20** | **45.1%** | **46.6%** | |
| 2018/19 | 42.3% | 43.7% | |
| 2017/18 | 42.5% | 44.0% | |
| 2016/17 | 40.8% | 42.7% | |
| **2018/19 Benchmarking Statistics** | | | |
| | **Group** | **Entity** | |
| RSH benchmark (median) | 43.4% | 44.1% | |
| NHF Sector Scorecard | 32.6% | N/Av | |

*The Gearing covenant in our loan agreements is calculated on a different basis than the VfM metric. It is based on historic cost of property rather than written down value.*

**EBITDA-MRI Interest Cover**

The EBITDA MRI interest cover measure is a key indicator for our liquidity and investment capacity. It measures our level of surplus generated against our interest payments.

| | Group | Entity | Commentary |
|---|---|---|---|
| 2020/21 (target) | 150.3% | 144.4% | The metric is an approximation of cash generated; presenting it as a percentage of interest shows the level of headroom on meeting interest payments for outstanding debt.<br>At both **Group and Entity** level, based on RSH 18/19 statistics, we are towards the lower quartile when it comes to Interest Cover.<br>This shows that we are maximising our liquidity and investment capacity in order to deliver new homes.<br>This VfM metric is calculated on the same basis as our most restrictive loan agreement. We maintain a golden rule of 110% minimum interest cover. |
| **2019/20** | **132.3%** | **128.4%** | |
| 2018/19 (actual) | 173.8% | 167.7% | |
| 2017/18 (actual) | 188.1% | 179.6% | |
| 2016/17 | 177.6% | 169.3% | |
| **2018/19 Benchmarking Statistics** | | | |
| | **Group** | **Entity** | |
| RSH benchmark (median) | 184.2% | 182.6% | |
| NHF Sector Scorecard | 197.9% | N/Av | |

**Headline Social Housing Cost Per Unit (£'s)**

The unit cost metric assesses the headline social housing cost per unit as defined by the regulator, being "Total costs associated with the delivery of social housing activities divided by the total number of social housing units owned".

| | Group | Entity |
|---|---|---|
| 2020/21 (target) | 4,456 | 3,307 |
| **2019/20** | **4,595** | **3,476** |
| 2018/19 (actual) | 4,235 | 3,323 |
| 2017/18 (actual) | 4,122 | 3,101 |
| 2016/17 | 4,163 | 3,056 |

**2018/19 Benchmarking Statistics**

| | Group | Entity |
|---|---|---|
| RSH benchmark (median) | 3,695 | 3,622 |
| NHF Sector Scorecard | 3,725 | N/Av |

**Commentary**

At the **Group** level, based on RSH 18/19 statistics, the Headline Social Housing Cost / Unit metric indicates that we are toward the bottom (worst) quartile of the sector.

This is largely due to the inclusion of our service led subsidiary in the cost element of the equation. This increases the unit metric disproportionately as the Charity has relatively few properties in its ownership or management and a high service cost base.

At the **Entity** level, based on RSH 18/19 statistics, the Headline Social Housing Cost / Unit metric indicates that we are toward the top (best) quartile of the sector.

Our 20/21 projection is based on the medium-term budget. Our ambition is to absorb inflationary pressures through increasing efficiencies.

**Return on Capital Employed (ROCE) %**

This metric compares our operating surplus to our total assets less current liabilities. It assesses how efficient we are in the efficient investment of our capital resources.

| | Group | Entity |
|---|---|---|
| 2020/21 (target) | 2.8% | 2.8% |
| **2019/20** | 2.4% | 2.4% |
| 2018/19 (actual) | 3.1% | 3.1% |
| 2017/18 (actual) | 3.4% | 3.3% |
| 2016/17 | 3.3% | 3.2% |

**2018/19 Benchmarking Statistics**

| | Group | Entity |
|---|---|---|
| RSH benchmark (median) | 3.8% | 3.8% |
| NHF Sector Scorecard | 3.2% | N/Av |

**Commentary**

The metric indicates that we are in the lower quartile across the sector correlating to the Operating Margin benchmarking statistic.

Over the medium to long term our ambition is to achieve greater than 4% ROCE.

In order to ensure the most efficient investment of our resources we have developed an investment framework which will help us rank competing investment and project opportunities in order to optimise our use of such resources.

**Operating Margin % – Social Housing Lettings**

Operating margin % measures the amount of surplus generated from turnover on our social housing activities. It is a key measure of our operational efficiency as it is influenced by both income and expenditure.

| | Group | Entity | Commentary |
|---|---|---|---|
| 2020/21 (target) | 24.5% | 24.5% | At both **Group and Entity** level, based on RSH 18/19 statistics, the Operating Margin % (Social Housing Lettings) metric indicates that we are between the lower quartile and sector median.<br><br>Our 20/21 target is based on our medium-term budget. Our longer-term ambition is to increase the financial efficiency of the organisation by increasing our margins. |
| **2019/20** | 21.2% | 21.2% | |
| 2018/19 (actual) | 27.5% | 27.5% | |
| 2017/18 (actual) | 29.3% | 29.3% | |
| 2016/17 | 31.5% | 32.1% | |
| **2018/19 Benchmarking Statistics** | | | |
| | **Group** | **Entity** | |
| RSH benchmark (median) | 29.7% | 29.7% | |
| NHF Sector Scorecard | 27.2% | N/Av | |

**Operating Margin % – Overall**

Operating margin % - Overall measures the amount of surplus generated from turnover. It is a key measure of our operational efficiency as it is influenced by both income and expenditure.

| | Group | Entity | Commentary |
|---|---|---|---|
| 2020/21 (target) | 19.9% | 23.9% | At the **Group** level, based on RSH 18/19 statistics, the Operating Margin % (Overall) metric indicates that we are in the bottom quartile in the sector.<br>This is largely due to the inclusion of our specialist service provider subsidiary. This reduces the overall % metric disproportionately as the registered charity, has relatively high turnover and small surpluses.<br><br>At the **Entity** Level we are more comparable to the sector and our benchmarking group.<br><br>Our 20/21 target is based on our medium-term budget. Our longer-term ambition is to increase the financial efficiency of the organisation by increasing our margins. |
| **2019/20** | 16.2% | 19.5% | |
| 2018/19 (actual) | 22.1% | 25.2% | |
| 2017/18 (actual) | 21.8% | 25.1% | |
| 2016/17 | 21.9% | 25.7% | |
| **2018/19 Benchmarking Statistics** | | | |
| | **Group** | **Entity** | |
| RSH benchmark (median) | 25.8% | 27.2% | |
| NHF Sector Scorecard | 25.5% | N/Av | |

**Balanced Scorecard Metrics**

Board members scrutinise performance against Group targets and objectives through the quarterly balanced scorecard. Alongside the key financial and VfM performance metrics, the Board maintain oversight of additional Process, Customer and People key performance indicators.

The focus of the balanced scorecard is on continual improvement and is reported for each legal entity within the Group.

The measures include:

| **Process Measures: As At 31st March 2020** | | | | | |
|---|---|---|---|---|---|
| **Staffs Housing & Revival** (Honeycomb Group Limited) | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21 (target)** |
| Rent Arrears (%) | 1.92 | 1.95 | 1.85 | 2.13 | 2.75 |
| Void Losses (%) – Social Rented Properties | - | - | 0.79 | 0.68 | 1.25 |
| Accident & Incidents Reports (No.) | NA | NA | NA | 42 | 60 |
| Gas Safety Certificates Lapsed (no.) | Nil | Nil | Nil | 2 (as at YE) | Nil |
| Fire Risk Assessments in accordance with Policy (%) | NA | NA | 100% | 100% | 100% |
| | | | | | |
| **Concrete & Glow** (Honeycomb Charitable Services Limited) | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21 (target)** |
| Rent Arrears (%) | 5.00 | 3.90 | 3.90 | 3.80 | 5.50 |
| Void Losses (%) | 6.50 | 5.30 | 8.50* | 5.90 | 6.50 |
| Serious Incidents (No.) | NA | NA | NA | 14** | <15 |
| Private Landlord Gas Safety Certificates Lapsed (no.) | Nil | Nil | Nil | Nil | Nil |
| ** increase in void loss due to fire at the Parkway scheme.* *** Serious incidents (No) recorded within the charity are defined as "an incident which results in death or serious injury (physical or psychological) or serious damage to property" and were started to be formally reported on to the Customer Services Committee in 2019/20* | | | | | |
| **Hummingbird** (Stillness 924 Limited) | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21 (target)** |
| Rent Arrears (%) | NA | NA | 2.03 | 0.00 | <1.00 |
| Void Losses (%) | NA | NA | 14.00** | 0.00 | 6.00 |
| Gas Safety Certificates Lapsed (no.) | NA | NA | Nil | Nil | Nil |
| *** Initial void loss due to lettings delay following handover of first Market Rent properties* | | | | | |

| **Customer Measures: As At 31st March 2020** | | | | | |
|---|---|---|---|---|---|
| **Staffs Housing & Revival** (Honeycomb Group Limited) | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21 (target)** |
| Satisfaction with repairs (out of 10) | 9.8 | 9.9 | 8.8 | 8.8 | 9.5 |
| Satisfaction with lettings (out of 10) | 9.4 | 9.7 | 9.7 | 9.4 | 9.5 |
| Satisfaction with Revival (%) | 98 | 98 | 99 | 98 | 98 |
| | | | | | |
| **Concrete & Glow** (Honeycomb Charitable Services Limited) | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21 (target)** |
| Customer Service Satisfaction (%) | 97 | 97 | 93 | 96 | 97 |

| **People Measures: As At 31st March 2020** | | | | | |
|---|---|---|---|---|---|
| **Staffs Housing & Revival** (Honeycomb Group Limited) | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21 (target)** |
| Absenteeism (%) | 2.8 | 3.1 | 4.9 | 6.1* | 4.0 |
| Staff turnover (%) | 20.1 | 14.1 | 14.8 | 5.7 | 10.0 |
| * Absenteeism increased in 2019/20 due to long term sickness of a small number of staff. It is expected that the rate will reduce to previous years levels in the coming year. | | | | | |
| **Concrete & Glow** (Honeycomb Charitable Services Limited) | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21 (target)** |
| Absenteeism (%) | 2.7 | 6.1 | 2.6 | 3.8 | 2.6 |
| Staff turnover (%) | 34.3 | 29.6 | 28.3 | 21.1 | 20.0 |

**Internal Audit**

We gain assurance through compliance checks from our internal and external auditors which ensure we are delivering services in line with our policies and procedures and making effective use of our resources.

**Risk**

Risks that may prevent the Group achieving its objectives are considered and reviewed regularly by the Executive team, the Audit and Risk committee and the Board.

We have a standardised risk management process which operates across the Group ensuring a consistent approach is taken and that there is a robust mechanism for operational risk to be escalated. Identified risks are recorded and assessed in terms of their impact and likelihood.

The major risks to the successful achievement of the Group's objectives are set out in the table below:

| Risk | Assurance and Controls |
|---|---|
| **COVID19**<br>Loss of Rental Income due to irrecoverable debt<br>Sustained periods of low inflation (CPI)<br>Development / Sub Contractor Failure<br>Loss of Commercial Income<br>Health & Safety Failure<br>Increased Costs of Working<br>Staff Health & Wellbeing | Continual monitoring of Financial and Compliance KPI's<br>Stress testing of the Business Plan<br>Regular Contractor viability checks<br>Proactive contact with tenants to assess risk of non-payment and offer of support |
| **Changes in Government Policy**<br>Changes in Government policy such as the imposition of rent reduction in 2015.<br>Introduction of the Voluntary Right to Buy for housing association tenants. | Stress testing of the Business plan which models the impact of various economic scenarios further rent reduction measures and the impact of Voluntary Right to Buy.<br>Monitoring of projected loan covenants.<br>Operation of five-year budgetary control process |
| **Impact of Welfare Reform**<br>Introduction of Universal Credit and rent element of income paid directly to tenants<br>Cap on benefits reduced to £20k. Working age benefits to be frozen from 2016 - 2020.<br>Working tax credit income threshold reduced.<br>Child tax credit to be limited to 2 children from 2017. | Universal Credit for all new claims; Staffs Housing has Trusted Partner status with DWP which enables online requests for Alternative Payment Arrangements (rent direct to Staffs Housing)<br>Income for Glow / Concrete short term supported housing schemes more secure following MHCLG decisions to retain HB for supported housing.<br>Welfare Reform strategy implemented - includes increased ICT investment, additional staff and communications plans. Proactive work with high-risk customers<br>Increased money advice/benefits support. |
| **Impact of the vote to leave the EU** | Stress testing of the Business Plan which models the potential impact of leaving the EU including the impact on inflation and interest rates.<br>Fully funded development programme.<br>High levels of fixed debt. |

| Risk | Assurance and Controls |
|---|---|
| **Breach of Law or Regulation**<br>Unforeseen Breach of H&S Policy and Standards, Employment Law, Breach of Data Protection Law Breach of RSH Regulations and Charity Commission Regulations | Robust organisational policies and procedures in place.<br>Policy, procedures, regular training and audit.<br>External assessments.<br>Dedicated internal H&S Officers and Committee.<br>Comprehensive risk assessments in place and risk maps.<br>Insurances.<br>Outsourced specialist H&S support.<br>Outsourced specialist HR support.<br>Outsourced Legal Advice. |

**Future Financial Prospects**

Welfare Reform

We are preparing for the impact of welfare reform and, although little financial impact has been felt in 2019/20, we continue to expect that the introduction of the Universal Credit, the caps on housing benefit and other welfare reforms introduced in the budget of July 2015 will increase tenant arrears and subsequently, bad debt.

The rent reduction measures outlined in the 2015 budget were estimated to cause a loss of income of £3.3m; measures have been successfully put in place to ensure that the loss of income is mitigated and that the Group remains a sustainable business in the long term.

Impact of COVID-19

Since 31 March 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

We have conducted a detailed risk analysis of the potential worse case impact of the COVID19 outbreak. The key financial risk to the Group is related to our rental income stream; the likely short-term impact of irrecoverable debt and the longer-term impact on the 30 Year Business Plan of any prolonged period of low rental inflation.

The Group's business plan is sufficiently robust to withstand the impact of this worst-case scenario and has undergone appropriate stress testing and sensitivity analysis.

**Treasury Management**

Our Board approved an updated treasury policy in March 2020 and a strategy review in June 2020. These aim to manage interest rate and covenant risk as well as other treasury risks.  An external specialist consultant provided advice on this.

In the year, we completed the amendment and restatement of our existing revolving credit facility with Lloyds Banking Group increasing the facility size from £5m to £15m and to extending the term to 2024. Concurrently with this we also secured a new £8m long term Note Purchase Agreement with M&G Investments.

**Board Members**

The members set out below have held office during the whole of the period from 1 April 2019 to the date of this report unless otherwise stated.

| Member | Board | Audit and Risk Committee | Customer Services Committee |
|---|---|---|---|
| Andrew Spencer | Chair | | |
| Diane Thompson | Member / CEO | | |
| Patrick Wright ** | Member | Chair | |
| Arthur Yates | Member | | Chair |
| Valerie Bourne | Member | Member | Member |
| Caris Henry | Member | | Member |
| Chris Bain | Member | | Member |
| Karl Dean | Member | | Member |
| Rebecca Neill * | Member | Member | |
| William Wright ** | Member | Member | |
| | | | |
| Susan Shardlow (resigned Sept-19) | Member | Chair (until Sep-19) | |

* Rebecca Neill was subsequently appointed as Chair of the Audit and Risk Committee in May 2020.

** William Wright and Patrick Wright are unrelated

**Internal Controls Assurance**

The Board is responsible for the Group's internal controls and for reviewing their effectiveness but recognises that such a system can only provide reasonable, and not absolute, assurance against material misstatement or loss.

Board applies best practice to reviewing the effectiveness of our systems of internal control and extended the previous requirement in respect of internal financial control covering financial and operational controls and risk management.

The Board believes that its procedures provide effective internal controls.

**Internal Controls Procedures**

Our systems of internal control are designed to ensure reliability of financial information and the maintenance of proper accounting records, thus safeguarding against loss and providing the proper evaluation of risk. Key elements include:

- Adoption of an updated Code of Governance based upon the NHF's 2015 Code "Promoting board excellence for Housing Associations".
- Board retaining responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury management and new investment projects.
- A formal scheme of delegation to the management of the Association.
- An annual continuous improvement plan against which performance is monitored by the Board.
- Financial plans incorporating budgets, forecasts and a thirty-year business plan.
- A process for monitoring and reporting of achievement of financial objectives mindful of key business risks, including regular reviews by the Board.
- Rigorous risk appraisal of significant new initiatives and projects with regular review.
- A comprehensive range of formal policies and procedures which are regularly reviewed.
- Recruitment, retention and development processes.

The Audit and Risk Committee reviews reports received from internal and external auditors and management and regularly reports to Board regarding the extent to which internal controls continue to take account of the nature of financial risks facing the Group. A formal process exists for the reporting and correction of significant control weaknesses.

The Board has received the Chief Executive's annual report and has conducted an annual review of the effectiveness of internal controls. Account has been taken of any changes needed to maintain the effectiveness of the risk management control process. No weaknesses were found in the internal controls sufficient to cause material misstatement or loss and the system of internal controls operated throughout the year and to the date of signing of the financial statements.

The Group has high standards of openness and honesty and has in place measures to minimise the risk of fraud and procedures to respond if it happens.

**Going Concern**

We continue to prepare for the impact of welfare reform and, although little financial impact has been felt in 2019/20, we continue to expect that the introduction of the Universal Credit, the caps on housing benefit and other welfare reforms introduced in the budget of July 2015 will increase tenant arrears and subsequently, bad debt.

The rent reduction measures outlined in the 2015 budget were estimated to cause a loss of income of £3.3m; measures have been successfully put in place to ensure that the loss of income is mitigated and that the Group remains a sustainable business in the long term.

We have conducted a detailed risk analysis of the potential worse case impact of the COVID19 outbreak. The key financial risk to the Group is related to our rental income stream; the likely short-term impact of irrecoverable debt and the longer-term impact on the 30 Year Business Plan of a prolonged period of low rental inflation.

The Group's business plan is sufficiently robust to withstand the impact of this worst-case scenario and has undergone appropriate stress testing and sensitivity analysis.

No other significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis which assumes an ability to continue operating for the foreseeable future.

**Directors' Indemnity**

The directors have confirmed that the Group has Directors and Officers Liability Insurance in place.

**Financial Instruments**

The Group does not have any abnormal exposure to price, credit, and liquidity and cash flow risks arising from its trading activities. The Group does not enter any hedging transactions and no trading in financial instruments is undertaken.

# Directors Responsibilities

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Income and Expenditure for the period of account.

In preparing these financial statements, the Board is required to:

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Society Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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

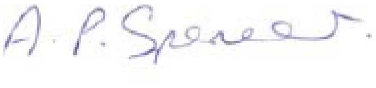
The Board is responsible for ensuring that arrangements are made for keeping proper books of account with respect to the Group's transactions and its assets and liabilities and for maintaining a satisfactory system of control over the Group's books of account and transactions. The Board is also responsible for ensuring that arrangements are made to safeguard the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Disclosure of Information to the Auditor**

In the case of each of the persons who are directors of the Group at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make them aware of any relevant audit information (as defined) and to establish that the Group's auditor is aware of that information.

Approved by the Board on 3rd September 2020 and signed on its behalf by:



Andrew Spencer

Chair of the Board

# Report of the Independent Auditor to the members of Honeycomb Group Limited

**Opinion**

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2020 and of the Group's surplus and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 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 and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

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

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

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, 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.

# Report of the Independent Auditor to the members of Honeycomb Group Limited

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

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

- the information given in the Board Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- a satisfactory system of control over transactions has not been maintained; or
- the Group and Association have not kept adequate accounting records; or
- the Group and Association's financial statements are not in agreement with accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of the Board**

As explained more fully in the Statement of the Board's Responsibilities set out on page 30, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

**Use of our report**

This report is made solely to the Association's members, as a body, in accordance with section 87(2) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Beever and Struthers, Statutory Auditor
St George's House
215/219 Chester Road
Manchester
M15 4JE
Date: 10 September 2020

# Statement of Comprehensive Income

| | Notes | Year Ended 31 Mar 2020 Consolidated £'000 | Year Ended 31 Mar 2020 Association £'000 | Year Ended 31 Mar 2019 Consolidated £'000 | Year Ended 31 Mar 2019 Association £'000 |
|---|---|---|---|---|---|
| Turnover | 2 | **21,127** | **17,460** | 21,547 | 18,411 |
| Cost of sales | 2 | **(897)** | **(897)** | (1,560) | (1,560) |
| Operating expenditure | 2 | **(16,805)** | **(13,159)** | (15,031) | (12,000) |
| (Deficit)/Surplus on disposal of property, plant and equipment (fixed assets) | 2/6 | **301** | **301** | (128) | (128) |
| **Operating surplus** | | **3,726** | **3,705** | 4,828 | 4,723 |
| Interest receivable | | **29** | **24** | 36 | 33 |
| Interest and financing costs | 7 | **(3,189)** | **(3,189)** | (3,219) | (3,219) |
| Gift Aid | | **-** | **-** | - | 38 |
| (Decrease) / Increase in valuation of investment properties | 13 | **(30)** | **(45)** | 521 | 480 |
| **Surplus before tax** | 8 | **536** | **495** | 2,166 | 2,055 |
| Taxation | | **(39)** | **-** | (6) | - |
| **Surplus for the year after tax** | | **497** | **495** | 2,160 | 2,055 |
| **Total comprehensive income for the year** | | **497** | **495** | 2,160 | 2,055 |

The financial statements on pages 33 to 63 were approved and authorised for issue by the Board on 3rd September 2020 and were signed on its behalf by:

**Board Member:** A. P. Spencer

**Board Member:**

**Secretary:**

**The consolidated and parent results relate wholly to continuing activities and the notes on pages 37 to 63 form an integral part of these accounts.**

# Statement of Financial Position

| | Notes | Year Ended 31 Mar 2020 Consolidated £'000 | Year Ended 31 Mar 2020 Association £'000 | Year Ended 31 Mar 2019 Consolidated £'000 | Year Ended 31 Mar 2019 Association £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible fixed assets | 12 | **151,057** | **149,202** | 143,617 | 141,719 |
| Investment properties | 13 | **2,970** | **2,175** | 3,000 | 2,220 |
| Investment in subsidiaries | 14 | **-** | **1,700** | - | 1,700 |
| | | **154,027** | **153,077** | 146,617 | 145,639 |
| **Current assets** | | | | | |
| Stock | 15 | **1,083** | **1,083** | 761 | 761 |
| Trade and other debtors | 16 | **1,510** | **1,286** | 1,395 | 1,122 |
| Investments | 17 | **30** | **30** | 30 | 30 |
| Cash and cash equivalents | 18 | **4,859** | **3,049** | 10,566 | 8,840 |
| | | **7,482** | **5,448** | 12,752 | 10,753 |
| **Less: Creditors: amounts falling due within one year** | 19 | **(5,016)** | **(4,299)** | (5,248) | (4,534) |
| Net current assets | | **2,466** | **1,149** | 7,504 | 6,219 |
| Total assets less current liabilities | | **156,493** | **154,226** | 154,121 | 151,858 |
| **Less: Creditors: amounts falling due after more than one year** | 20a | **(126,739)** | **(126,739)** | (124,946) | (124,946) |
| Total net assets | | **29,754** | **27,487** | 29,175 | 26,912 |
| **Reserves** | | | | | |
| Non-equity share capital | 23 | | **-** | - | - |
| Revenue Reserve | | **29,573** | **27,367** | 29,076 | 26,876 |
| Revaluation Reserve | | **48** | **-** | 50 | - |
| Restricted Reserve | | **133** | **120** | 49 | 36 |
| **Total Reserves** | | **29,754** | **27,487** | 29,175 | 26,912 |

The financial statements on pages 33 to 63 were approved and authorised for issue by the Board on 3rd September 2020 and were signed on its behalf by:

**Board Member:** **Board Member:** **Secretary:**

**The consolidated and parent results relate wholly to continuing activities and the notes on pages 37 to 63 form an integral part of these accounts.**

# Statement of Changes in Reserves

| Consolidated | Revenue reserve £'000 | Restricted reserve £'000 | Revaluation reserve £'000 | Total £'000 |
|---|---|---|---|---|
| **Balance as at 1 April 2018** | **26,913** | **49** | **53** | **27,015** |
| Surplus from Statement of Comprehensive Income | 2,160 | - | - | 2,160 |
| Transfer from Revaluation Reserve | 3 | - | (3) | - |
| **Balance at 31 March 2019** | **29,076** | **49** | **50** | **29,175** |
| Surplus from Statement of Comprehensive Income | 497 | - | - | 497 |
| Transfer to Restricted Reserves | - | 84 | - | 84 |
| Transfer from Revaluation Reserve | - | - | (2) | (2) |
| **Balance at 31 March 2020** | **29,573** | **133** | **48** | **29,754** |

| Association | Revenue reserve £'000 | Restricted reserve £'000 | Revaluation reserve £'000 | Total £'000 |
|---|---|---|---|---|
| **Balance as at 1 April 2018** | **24,821** | **36** | **-** | **24,857** |
| Surplus from Statement of Comprehensive Income | 2,055 | - | - | 2,055 |
| Transfer from Revaluation Reserve | - | - | - | - |
| **Balance at 31 March 2019** | **26,876** | **36** | **-** | **26,912** |
| Surplus from Statement of Comprehensive Income | 495 | - | - | 495 |
| Transfer to Restricted Reserves | - | 84 | - | 84 |
| Transfer from Revaluation Reserve | - | - | - | - |
| Other Reserve Movements | (4) | - | - | (4) |
| **Balance at 31 March 2020** | 27,367 | 120 | - | 27,487 |

**The notes on pages 37 to 63 form an integral part of these accounts**

# Consolidated Statement of Cash Flows

| | Year ended 31 Mar 2020 £'000 | Year ended 31 Mar 2019 £'000 |
|---|---|---|
| **Net cash generated from operating activities (see Note i)** | **4,517** | 6,973 |
| **Cash flow from investing activities** | | |
| Purchase of tangible fixed assets | **(10,857)** | (5,452) |
| Purchase of investment properties | **-** | (312) |
| Purchase of equity investment | **-** | (30) |
| Proceeds from sale of tangible fixed assets | **950** | 294 |
| Grants received | **1,462** | 1,144 |
| Interest received | **29** | 36 |
| **Cash flow from financing activities** | | |
| Interest paid | **(3,189)** | (3,219) |
| New secured loans | **2,000** | 5,000 |
| Repayment of borrowings | **(580)** | (475) |
| **Taxation** | | |
| UK Corporation tax paid | **(39)** | (6) |
| **Net change in cash and cash equivalents** | **(5,707)** | 3,953 |
| **Cash and cash equivalents at beginning of the year** | **10,566** | 6,613 |
| **Cash and cash equivalents at end of the year** | **4,859** | 10,566 |

**Note i**

| | | |
|---|---|---|
| **Cash flow from operating activities** | | |
| Surplus for the year | **497** | 2,160 |
| **Adjustments for non-cash items:** | | |
| Depreciation of tangible fixed assets | **2,890** | 2,611 |
| Amortisation of Grant | **(940)** | (926) |
| Decrease / (Increase) in stock | **(322)** | 421 |
| Decrease / (Increase) in trade and other debtors | **(115)** | 105 |
| (Decrease) / Increase in trade and other creditors | **(232)** | (191) |
| Revaluation of Investment Properties | **30** | (521) |
| Carrying amount of tangible fixed asset disposals | **649** | 422 |
| Corporation Tax | **39** | 6 |
| Other creditor movements | **(189)** | (3) |
| **Adjustments for investing or financing activities:** | | |
| Proceeds from the sale of tangible fixed assets | **(950)** | (294) |
| Interest payable | **3,189** | 3,219 |
| Interest received | **(29)** | (36) |
| **Net cash generated from operating activities** | **4,517** | 6,973 |

**The notes on pages 37 to 63 form an integral part of these accounts.**

# Notes to the financial statements for the year ended 31 March 2020

**Legal Status**
Honeycomb Group Limited is a society registered in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing. The registered office is 308 London Road, Stoke on Trent, Staffordshire ST4 5AB.

Honeycomb Group Limited is a Public Benefit Entity whose primary objective is to provide goods or services for community or social benefit rather than for a financial return to equity holders.

The Group comprises the following entities:

| Name | Incorporation | Registered/Non-registered |
|---|---|---|
| Honeycomb Group Limited | Co-operative and Community Benefit Societies Act 2014 | Co-operative and Community Benefit Society and Regulator of Social Housing /Registered Provider |
| Blue Mountain Housing Association Limited (Dormant) | Co-operative and Community Benefit Societies Act 2014 | Non-registered |
| Stillness 924 Limited | Companies Act 2006 | Non-registered |
| Honeycomb Charitable Services Limited | Companies Act 2006 | Non-registered |
| Search Housing Association Limited (Dormant) | Companies Act 2006 | Non-registered |

## 1. Principal Accounting Policies

**Basis of Accounting**
The Group's financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2018. The Group is required under the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 to prepare consolidated Group accounts.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The accounts are prepared on the historical cost basis of accounting as modified by the revaluation of investments and financial instruments and are presented in sterling £ and rounded to the nearest thousand.

The Group's financial statements have been prepared in compliance with FRS 102.

**Basis of consolidation**
The consolidated financial statements incorporate the results of Honeycomb Group Limited and all of its subsidiary undertakings as at 31 March 2020. Intra group transactions and balances are eliminated on consolidation.

**Going concern**
The Group's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future.

We have conducted a detailed risk analysis of the potential worse case impact of the COVID19 outbreak. The key financial risk to the Group is related to our rental income stream; the likely short-term impact of irrecoverable debt and the longer-term impact on the 30 Year Business Plan of any prolonged period of low rental inflation.

The Group's business plan is sufficiently robust to withstand the impact of this worst-case scenario and has undergone appropriate stress testing and sensitivity analysis. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

# Notes to the financial statements for the year ended 31 March 2020

**1. Principal Accounting Policies (continued)**

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

a. **Development expenditure.** The Group capitalises direct development expenditure.

b. **Categorisation of housing properties.** The Group has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals. The Group has determined that market rented properties are investment properties.

c. **Depreciation.** The Association depreciates its assets on a straight-line basis over management's estimation of their Useful Economic Life (UEL). These UEL's are disclosed below in Note 1.

d. **Impairment.** The Group has identified that a cash generating unit for impairment assessment purposes is at a scheme level.

**Other key sources of estimation and assumptions:**

a. **Bad Debt Provision**
Bad Debts are provided for on the basis of a 100% provision for all former tenants and specific current tenant debts where arrears balances are unlikely to be settled.

b. **Tangible fixed assets.** Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate.

**Revaluation of investment properties.** The Group carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The Group engaged independent valuation specialists to determine fair value at 31 March 2020. The valuer used a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long-term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 13.

c. **Impairment of non-financial assets.** Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use.

Following a trigger for impairment, the Group perform impairment tests based on a value in use calculation using a discounted cash flow model. The cash flows do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Following the assessment of impairment, no impairment triggers were identified in the reporting period.

# Notes to the financial statements for the year ended 31 March 2020

1. **Principal Accounting Policies (continued)**

**Turnover and Revenue Recognition**

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and Homes England, income from the sale of shared ownership and other properties developed for outright sale and other income and are recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion. Supporting People Income is recognised under the contractual arrangements.

**Support income and costs including Supporting People income and costs**

Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in the Turnover as per note 2. The related support costs are matched against this income in the same note. Support charges included in the rent are included in the Statement of Comprehensive Income from social housing lettings note 3 and matched against the relevant costs.

**Service charges**

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

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

**Loan interest costs**

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

**Loan finance issue costs**

These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

**Value Added Tax**

The Group charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by the Group and not recoverable.

**1. Principal Accounting Policies (continued)**

**Tangible fixed assets and depreciation**

**Housing properties**

Tangible fixed assets are stated at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Donated land/assets or assets acquired at below market value from a government source, i.e. local authority, are included as a liability in the Statement of Financial Position at the fair value less consideration paid.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The Group depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

Useful Expected Lives for identified components are as follows:

| | Years |
|---|---|
| Boilers | 15 |
| Kitchens | 20 |
| Lifts | 25 |
| Bathrooms | 30 |
| Electric Storage Heaters | 30 |
| Windows | 30 |
| Roofs – Newbuild | 70 |
| Roofs – Rehab | 50 |
| Roofs – Flat | 30 |
| Structure – new build | 100 |
| Structure – rehab | 50-60 |
| Structure – shared ownership | 65 |
| Structure – combined health | 25 |

The Group depreciates housing properties held on long term leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives which are as follows:

| | Years |
|---|---|
| Plant & machinery | 2 |
| Office Freehold Property | 50 |
| Fixtures and Fittings | 5-10 |
| ICT Equipment | 3 |
| Motor Vehicles | 4-5 |
| PV Panels | 20-25 |

# Notes to the financial statements for the year ended 31 March 2020

1. **Principal Accounting Policies (continued)**

**Low cost home ownership properties – Shared Ownership**
The costs of low-cost home ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

**Capitalisation of interest and administration costs**
Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

**Property managed by agents**
Where the Group carries the majority of the financial risk on property managed by agents, income arising from the property is included in the Statement of Comprehensive Income.

Where the agency carries the majority of the financial risk, income includes only that which relates solely to the Group.

In both cases, the assets and associated liabilities are included in the Group's Statement of Financial Position.

**Leasing**
Payment for operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease. The only material leases in place for the Group are as a lessee.

**Investment property**
Investment property includes commercial and other properties not held for the social benefit of the Group. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date. Fair value is determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

**Current asset investments**
Current asset investments include cash and cash equivalents invested for periods of more than 24 hours. They are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the Statement of Comprehensive Income.

**Properties held for sale**
Properties developed for outright sale are included in current assets as they are intended to be sold, at the lower of cost or estimated selling price less costs to complete and sell.

**Short-term debtors and creditors**
Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

**Non-government grants**
Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as Turnover.

## Notes to the financial statements for the year ended 31 March 2020

1. **Principal Accounting Policies (continued)**

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

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

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

**Non-monetary government grant**
On disposal of assets for which non-monetary government grants are held as liabilities in the Statement of Financial Position, the unamortised amount in creditors is derecognised and recognised as income in the Statement of Comprehensive Income.

**Recycling of Capital Grant**
Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties, where recycled grant is known to be repayable it is shown as a creditor within one year.

**Holiday pay accrual**
A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the year end and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the year end.

**Retirement benefits**
The Group operates a defined contribution pension scheme with contributions charged to the Statement of Comprehensive Income based on salary each month.

**Revaluation Reserve**
The revaluation reserve represents the difference on transition between the fair value of social housing properties and other assets and the historical cost carrying value, where deemed cost transitional relief was taken.

**Restricted Reserve**
Restricted funds comprise funding which has been received for the provision of specified services and contractual obligations. Any unspent funds are carried forward until they are spent or are returned to the funder.

# Notes to the financial statements for the year ended 31 March 2020

1. **Principal Accounting Policies (continued)**

**Financial Instruments**

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through the Statement of Comprehensive Income, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

**Financial instruments held by the Group are classified as follows:**

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method,
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method,
- Loans to or from subsidiaries including those that are due on demand are held at amortised cost using the effective interest method; and
- Commitments to receive or make a loan to another entity which meet the conditions above are held at cost less impairment.

**Categorisation of debt**

The Group’s debt has been treated as “basic” in accordance with paragraphs 11.8 and 11.9 of FRS 102. The Group has a £6.2 million fixed rate loan with RBS which has a two-way break clause (i.e. in addition to compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed rate is lower than the existing loan’s fixed rate, compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan’s fixed rate). The Financial Reporting Council (FRC) issued a statement on 2 June 2016 in respect of such loans with no prescriptive direction as to whether they should be classified as “basic” or “non basic”. On the grounds that the Group believes the recognition of each debt liability at cost provides a more transparent and understandable position of the Group’s financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, the Group has retained its “basic” treatment of its debt following the FRC announcement.

# Notes to the financial statements for the year ended 31 March 2020

## 2(a). Turnover, cost of sales, operating expenditure and operating surplus

| Group | 2020 Turnover | 2020 Cost of sales | 2020 Operating expenditure | 2020 Operating surplus / (deficit) |
|---|---|---|---|---|
| **Social housing lettings (note 3a)** | **14,712** | **-** | **(11,599)** | **3,113** |
| **Other social housing activities** | | | | |
| First tranche low cost home ownership sales | 1,274 | (897) | - | 377 |
| Support services | 3,510 | - | (3,674) | (164) |
| Other: Development services | - | - | (146) | (146) |
| Other: Regeneration | 4 | - | (115) | (111) |
| **Activities other than social housing** | | | | |
| Other – Market Rent | 252 | - | (87) | 165 |
| Other – Revival Home Improvement Agency | 637 | - | (907) | (270) |
| Other – Green energy | 276 | - | (154) | 122 |
| Other | 462 | - | (123) | 339 |
| **Total** | 21,127 | (897) | (16,805) | 3,425 |
| Surplus on disposal of property, plant and equipment (fixed assets) | 950 | (649) | - | 301 |
| | 22,077 | (1,546) | (16,805) | 3,726 |

| Group | 2019 Turnover | 2019 Cost of sales | 2019 Operating expenditure | 2019 Operating surplus / (deficit) |
|---|---|---|---|---|
| **Social housing lettings (note 3a)** | **14,360** | **-** | **(10,418)** | **3,942** |
| **Other social housing activities** | | | | |
| First tranche low cost home ownership sales | 2,407 | (1,560) | - | 847 |
| Support services | 2,990 | - | (3,012) | (22) |
| Supporting people | 2 | - | - | 2 |
| Other: Development services | - | - | (165) | (165) |
| Other: Regeneration | 1 | - | (113) | (112) |
| **Activities other than social housing** | | | | |
| Other – Market Rent | 224 | - | (122) | 102 |
| Other – Revival Home Improvement Agency | 836 | - | (985) | (149) |
| Other – Green energy | 266 | - | (151) | 115 |
| Other | 461 | - | (65) | 396 |
| | 21,547 | (1,560) | (15,031) | 4,956 |
| Deficit on disposal of property, plant and equipment (fixed assets) | 294 | (422) | - | (128) |
| **Total** | 21,841 | (1,982) | (15,031) | 4,828 |

# Notes to the financial statements for the year ended 31 March 2020

## 2(b). Turnover, cost of sales, operating expenditure and operating surplus

| Association | 2020 Turnover | 2020 Cost of sales | 2020 Operating expenditure | 2020 Operating surplus / (deficit) |
|---|---|---|---|---|
| **Social housing lettings (note 3b)** | **14,712** | **-** | **(11,599)** | **3113** |
| **Other social housing activities** | | | | |
| First tranche low cost home ownership sales | **1,274** | **(897)** | **-** | **377** |
| Other: Development services | **-** | **-** | **(146)** | **(146)** |
| Other: Regeneration | **4** | **-** | **(115)** | **(111)** |
| **Activities other than social housing** | | | | |
| Other – Market Rent | **212** | **-** | **(82)** | **130** |
| Other – Revival Home Improvement Agency | **637** | **-** | **(907)** | **(270)** |
| Other - Feed-in tariffs | **51** | **-** | **(29)** | **22** |
| Other | **570** | **-** | **(281)** | **289** |
| | **17,460** | **(897)** | **(13,159)** | **3,404** |
| Surplus on disposal of property, plant and equipment (fixed assets) | **950** | **(649)** | **-** | **301** |
| **Total** | **18,410** | **(1,546)** | **(13,159)** | **3,705** |

| Association | 2019 Turnover | 2019 Cost of sales | 2019 Operating expenditure | 2019 Operating surplus / (deficit) |
|---|---|---|---|---|
| **Social housing lettings (note 3b)** | **14,360** | **-** | **(10,418)** | **3,942** |
| **Other social housing activities** | | | | |
| First tranche low cost home ownership sales | **2,407** | **(1,560)** | **-** | **847** |
| Supporting people | **2** | **-** | **-** | **2** |
| Other: Development services | **-** | **-** | **(165)** | **(165)** |
| Other: Regeneration | **1** | **-** | **(113)** | **(112)** |
| **Activities other than social housing** | | | | |
| Other – Market Rent | **198** | **-** | **(113)** | **85** |
| Other – Revival Home Improvement Agency | **836** | **-** | **(985)** | **(149)** |
| Other - Feed-in tariffs | **51** | **-** | **(33)** | **18** |
| Other | **556** | **-** | **(173)** | **383** |
| | **18,411** | **(1,560)** | **(12,000)** | **4,851** |
| Deficit on disposal of property, plant and equipment (fixed assets) | **294** | **(422)** | **-** | **(128)** |
| **Total** | **18,705** | **(1,982)** | **(12,000)** | **4,723** |

# Notes to the financial statements for the year ended 31 March 2020

## 3(a). Turnover and operating expenditure

| Group | General Housing £'000 | Supported Housing and Housing for Older People £'000 | Low Cost Home Ownership £'000 | Total 2020 £'000 | Total 2019 £'000 |
|---|---|---|---|---|---|
| **Income** | | | | | Restated |
| Rent receivable net of identifiable service charge | **11,316** | **489** | **302** | **12,107** | 11,832 |
| Service charge income | **1,431** | **53** | **181** | **1,665** | 1,602 |
| Amortised government grants | **883** | **28** | **29** | **940** | 926 |
| **Turnover from Social Housing Lettings** | **13,630** | **570** | **512** | **14,712** | 14,360 |
| **Operating expenditure** | | | | | |
| Management | **(3,477)** | **(137)** | **(14)** | **(3,628)** | (3,259) |
| Service charge costs | **(2,039)** | **(25)** | **(161)** | **(2,225)** | (1,930) |
| Routine maintenance | **(2,449)** | **(106)** | **(30)** | **(2,585)** | (2,334) |
| Planned maintenance | **(684)** | **(21)** | **(5)** | **(710)** | (786) |
| Bad debts | **(95)** | **-** | **-** | **(95)** | 103 |
| Depreciation of Housing Properties | **(2,186)** | **(75)** | **(77)** | **(2,338)** | (2,193) |
| Other Costs | **(11)** | **(7)** | **-** | **(18)** | (19) |
| **Operating expenditure on Social Housing Lettings** | **(10,941)** | **(371)** | **(287)** | **(11,599)** | (10,418) |
| **Operating Surplus on Social Housing Lettings** | **2,689** | **199** | **225** | **3,113** | 3,942 |
| **Void losses (being rental income lost as a result of property not being let, although it is available for letting)** | **111** | **-** | **1** | **112** | 178 |

## Notes to the financial statements for the year ended 31 March 2020

### 3(b). Turnover and operating expenditure

| Association | General Housing £'000 | Supported Housing and Housing for Older People £'000 | Low Cost Home Ownership £'000 | Total 2020 £'000 | Total 2019 £'000 |
|---|---|---|---|---|---|
| **Income** | | | | | Restated |
| Rent receivable net of identifiable service charge | **11,316** | **489** | **302** | **12,107** | 11,832 |
| Service charge income | **1,431** | **53** | **181** | **1,665** | 1,602 |
| Amortised government grants | **883** | **28** | **29** | **940** | 926 |
| Other grants - Supporting People | **-** | **-** | **-** | **-** | - |
| **Turnover from Social Housing Lettings** | **13,630** | **570** | **512** | **14,712** | 14,360 |
| **Operating expenditure** | | | | | |
| Management | **(3,477)** | **(137)** | **(14)** | **(3,628)** | (3,259) |
| Service charge costs | **(2,039)** | **(25)** | **(161)** | **(2,225)** | (1,930) |
| Routine maintenance | **(2,449)** | **(106)** | **(30)** | **(2,585)** | (2,334) |
| Planned maintenance | **(684)** | **(21)** | **(5)** | **(710)** | (786) |
| Bad debts | **(95)** | **-** | **-** | **(95)** | 103 |
| Depreciation of Housing Properties | **(2,186)** | **(75)** | **(77)** | **(2,338)** | (2,193) |
| Other Costs | **(11)** | **(7)** | **-** | **(18)** | (19) |
| **Operating expenditure on Social Housing Lettings** | **(10,941)** | **(371)** | **(287)** | **(11,599)** | (10,418) |
| **Operating Surplus on Social Housing Lettings** | **2,689** | **199** | **225** | **3,113** | 3,942 |
| **Void losses (being rental income lost as a result of property not being let, although it is available for letting)** | **111** | **-** | **1** | **112** | 178 |

## Notes to the financial statements for the year ended 31 March 2020

### 3(c). Turnover from activities other than social housing

| | Group | | Association | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£'000** | £'000 | **£'000** | £'000 |
| **Lettings** | | | | |
| **Market Renting** | **252** | 224 | **212** | 198 |
| | **252** | 224 | **212** | 198 |

### 4. Accommodation owned, managed and in development

| **Group** | **2020 No. of properties** | | 2019 No. of properties | |
|---|---|---|---|---|
| | **Owned** | **Managed** | Owned | Managed |
| **Social Housing** | | | | |
| Under development at end of year: | | | | |
| General needs housing social rent | **-** | | - | - |
| General needs housing affordable rent | **29** | | 36 | - |
| Low-cost home ownership | **-** | | 12 | - |
| Under management at end of year: | | | | |
| General needs housing | **2,570** | **13** | 2,483 | 13 |
| Supported housing and housing for older people | **223** | **53** | 179 | 99 |
| Low cost home ownership | **200** | | 183 | - |
| Leasehold | **42** | | 39 | - |
| | **3,064** | **66** | 2,932 | 112 |
| **Non-Social Housing** | | | | |
| Under management at end of year: | | | | |
| Key worker accommodation | **113** | **-** | 113 | - |
| Market Rent | **32** | **-** | 33 | - |
| | **145** | **-** | 146 | - |

| **Association** | **2020 No. of properties** | | 2019 No. of properties | |
|---|---|---|---|---|
| | **Owned** | **Managed** | Owned | Managed |
| **Social Housing** | | | | |
| Under development at end of year: | | | | |
| General needs housing social rent | **-** | **-** | - | - |
| General needs housing affordable rent | **29** | **-** | 36 | - |
| Low-cost home ownership | **-** | | 12 | - |
| Under management at end of year: | | | | |
| General needs housing | **2,570** | **13** | 2,483 | 13 |
| Supported housing and housing for older people | **204** | **-** | 179 | - |
| Low-cost home ownership | **200** | **-** | 183 | - |
| Leasehold | **42** | **-** | 39 | - |
| | **3,045** | **13** | 2,932 | 13 |
| **Non-Social Housing** | | | | |
| Under management at end of year: | | | | |
| Key worker accommodation | **113** | **-** | 113 | - |
| Market Rent | **27** | **5** | 28 | 5 |
| | **140** | **5** | 141 | 5 |

## Notes to the financial statements for the year ended 31 March 2020

**5. Accommodation managed by others**

The group owns property managed by other bodies.

| | **2020 No. of properties** | 2019 No. of properties |
|---|---|---|
| Supported housing and housing for older people | **139** | 114 |
| | **139** | 114 |

**6. (Deficit)/ Surplus on disposal of property, plant and equipment (fixed assets)**

| | **Shared Ownership Staircasing Sales** | **Others** | **Total 2020** | Total 2019 |
|---|---|---|---|---|
| | **£’000** | **£’000** | **£’000** | £’000 |
| Proceeds of sales | **453** | **497** | **950** | 294 |
| Less: Costs of sales | **(304)** | **(307)** | **(611)** | (376) |
| Less: Write back of Amortised Grant | **(14)** | **(24)** | **(38)** | (46) |
| **Surplus / (Deficit)** | **135** | **166** | **301** | (128) |

# Notes to the financial statements for the year ended 31 March 2020

## 7. Interest and financing costs

| | Group | | Association | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£'000** | £'000 | **£'000** | £'000 |
| On loans wholly or partly repayable in more than five years | **3,236** | 3,130 | 3,236 | 3,130 |
| Costs associated with financing | **125** | 117 | 125 | 117 |
| Less: interest capitalised on housing properties under construction | **(172)** | (28) | (172) | (28) |
| | **3,189** | 3,219 | 3,189 | 3,219 |

The weighted average interest on borrowings of 4.33% (2019: 4.51%) was used for calculating capitalised finance costs.

## 8. Surplus before tax

| | Group | | Association | |
|---|---|---|---|---|
| The surplus is stated after charging | **2020** | 2019 | **2020** | 2019 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Auditors remuneration | | | | |
| Audit of the group financial statements | **22** | 20 | **22** | 20 |
| Audit of subsidiaries | **4** | 4 | **-** | - |
| Fees payable to the company's auditor for other services to the group: | | | | |
| Taxation compliance services | **1** | 1 | **-** | - |
| Development Audit | **-** | 1 | **-** | 1 |
| Operating lease rentals: | | | | |
| - Land and buildings | **206** | 146 | **50** | 45 |
| - Office equipment | **35** | 60 | **32** | 58 |
| Depreciation of housing properties | **2,349** | 2,204 | **2,339** | 2,193 |
| Depreciation of other fixed assets | **541** | 407 | **443** | 315 |
| Amortisation of Grant applied to housing properties | **(940)** | (926) | **(940)** | (926) |
| Surplus / (deficit) on sale of other fixed assets | **301** | (128) | **301** | (128) |

## Notes to the financial statements for the year ended 31 March 2020

### 9. Directors' remuneration

The Chief Executive is an ordinary member of the pension scheme. The pension scheme is a defined contribution scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by Honeycomb Group of £12k (2019 £12k) was paid in addition to the personal contributions of the Chief Executive. Honeycomb Group adopts a salary exchange approach to its employee pension contributions; contributions shown above are based on contractual ERs contributions only.

Directors (key management personnel) are defined as members of the Board, the Chief Executive and any other person who is a member of the Senior Management Team or its equivalent.

| | **2020** | 2019 |
|---|---|---|
| | **£'000** | £'000 |
| The aggregate emoluments paid to or receivable by non-executive Directors and former non-executive directors (excluding highest-paid director) | **52** | 52 |
| The aggregate emoluments paid to the highest paid Director including pension contributions | **136** | 134 |
| The aggregate emoluments paid to or receivable by Directors (key management personnel) | **453** | 443 |
| The emoluments paid to the highest paid Director excluding pension contributions | **124** | 122 |

The Board of Management received emoluments for their duties amounting to £48,433 (2019: £50,568). These were paid as shown below.

| | Emoluments | Expenses | **Total 2020** |
|---|---|---|---|
| | £'000 | £'000 | **£'000** |
| Susan Shardlow | 2,873 | - | **2,873** |
| Patrick Wright | 4,760 | 1,151 | **5,911** |
| Andy Spencer | 10,200 | 730 | **10,930** |
| Caris Henry | 4,080 | 309 | **4,389** |
| Chris Bain | 4,080 | 321 | **4,401** |
| Arthur Yates | 6,120 | 74 | **6,194** |
| Val Bourne | 4,080 | - | **4,080** |
| Karl Dean | 4,080 | 586 | **4,666** |
| Rebecca Neill | 4,080 | - | **4,080** |
| Will Wright | 4,080 | 416 | **4,496** |
| | 48,433 | 3,587 | **52,020** |

## Notes to the financial statements for the year ended 31 March 2020

**10. Employee information**

| | Group | | Association | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **No.** | No. | **No.** | No. |
| The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was: | | | | |
| Office staff | **209** | 194 | **116** | 112 |
| Wardens, caretakers and cleaners | **12** | 13 | **11** | 12 |
| | **221** | 207 | **127** | 124 |

| | **£'000** | £'000 | **£'000** | £'000 |
|---|---|---|---|---|
| Staff costs (for the other persons) | | | | |
| Wages and salaries | **5,456** | 4,826 | **3,359** | 3,158 |
| Social Security costs | **431** | 391 | **294** | 281 |
| Other pension costs | **543** | 531 | **460** | 480 |
| Redundancy | **-** | 16 | **-** | 9 |
| | **6,430** | 5,764 | **4,113** | 3,928 |

| Aggregate number of full-time equivalent staff whose remuneration exceeded £60,000 in the period: | **2020 No.** | 2019 No. | **2020 No.** | 2019 No. |
|---|---|---|---|---|
| £60,000 - £70,000 | **4** | 3 | 4 | 3 |
| £70,000 - £80,000 | **-** | - | - | - |
| £80,000 - £90,000 | **-** | - | - | - |
| £90,000 - £100,000 | **1** | 2 | 1 | 2 |
| £100,000-£110,000 | **1** | - | 1 | - |
| £110,000-£120,000 | **1** | 1 | 1 | 1 |
| £120,000-£130,000 | **-** | - | - | - |
| £130,000-£140,000 | **1** | 1 | 1 | 1 |

**11. Pension obligations**

The Group operates a defined contribution scheme for employees, the assets of which are held separately from those of the Group in an independently administered fund. The pension charge represents contributions payable by the Association to the fund and amounted to £460,399 (2019: £479,959) for the year; and contributions payable to the fund by the Group amounted to £543,749 (2019: £531,039).

# Notes to the financial statements for the year ended 31 March 2020

## 12(a). Tangible fixed assets

| Group | Social Housing Properties for Letting Completed £'000 | Social Housing Properties for letting under Construction £'000 | Low cost home ownership Properties completed £'000 | Low cost home ownership properties under construction £'000 | Total Housing Properties £'000 | Freehold offices £'000 | Furniture and office equipment £'000 | Total fixed assets £'000 |
|---|---|---|---|---|---|---|---|---|
| | Housing Properties | | | | | Other fixed assets | | |
| **Cost** | | | | | | | | |
| At start of the year | 156,646 | 1,859 | 7,798 | 442 | 166,745 | 3,836 | 5,660 | 176,241 |
| Additions to properties acquired | - | 8,364 | - | 805 | **9,169** | - | 732 | **9,901** |
| Works to existing properties | 956 | - | - | - | **956** | - | - | **956** |
| Schemes completed | 9,048 | (9,048) | 1,247 | (1,247) | **-** | - | - | **-** |
| Disposals | (646) | - | (249) | - | **(895)** | - | (47) | **(942)** |
| At end of the year | **166,004** | **1,175** | **8,796** | **-** | **175,975** | **3,836** | **6,345** | **186,156** |
| **Depreciation and impairment** | | | | | | | | |
| At start of the year | 28,183 | - | 728 | - | 28,911 | 1,026 | 2,687 | 32,624 |
| Charge for the year | 2,267 | - | 82 | - | **2,349** | 63 | 478 | **2,890** |
| Disposals | (339) | - | (30) | - | **(369)** | - | (46) | **(415)** |
| At end of the year | **30,111** | **-** | **780** | **-** | **30,891** | **1,089** | **3,119** | **35,099** |
| At 31 March 2019 | 128,463 | 1,859 | 7,070 | 442 | 137,834 | 2,810 | 2,973 | 143,617 |
| At 31 March 2020 | **135,893** | **1,175** | **8,016** | **-** | **145,084** | **2,747** | **3,226** | **151,057** |

| **Completed Housing Properties comprise:** | **2020 £'000** | 2019 £'000 |
|---|---|---|
| Freeholds | **143,050** | 134,594 |
| Long leaseholds | **859** | 939 |
| Short leaseholds | | - |
| **NBV** | **143,909** | 135,533 |

Cost of properties includes £125k (2019: £86k) for direct administrative costs capitalised during the year

| | **2020 £'000** | 2019 £'000 |
|---|---|---|
| Works to existing properties in the year: | | |
| Components capitalised | **956** | 904 |
| Amounts charged to expenditure | **710** | 786 |

Note - The cost figure for properties acquired in year above is net of grant liability at transfer amounting to £997k.

# Notes to the financial statements for the year ended 31 March 2020

## 12(b). Tangible fixed assets

| Association | Housing Properties: Social Housing Properties for Letting Completed £'000 | Social Housing Properties for letting under Construction £'000 | Low cost home ownership Properties completed £'000 | Low cost home ownership properties under construction £'000 | Total Housing Properties £'000 | Other fixed assets: Freehold offices £'000 | Furniture and office equipment £'000 | Total fixed assets £'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At start of the year | 155,987 | 1,861 | 7,797 | 442 | 166,087 | 3,836 | 3,589 | 173,512 |
| Additions to properties acquired | | 8,363 | - | 805 | 9,168 | - | 669 | 9,837 |
| Works to existing properties | 956 | - | - | - | 956 | - | - | 956 |
| Schemes completed | 9,048 | (9,048) | 1,247 | (1,247) | - | - | - | - |
| Disposals | (646) | - | (250) | - | (896) | - | (27) | (923) |
| **At end of the year** | **165,345** | **1,176** | **8,794** | **-** | **175,315** | **3,836** | **4,231** | **183,382** |
| **Depreciation and impairment** | | | | | | | | |
| At start of the year | 28,131 | - | 728 | - | 28,859 | 1,026 | 1,908 | 31,793 |
| Charge for the year | 2,257 | - | 82 | - | 2,339 | 63 | 380 | 2,782 |
| Disposals | (339) | - | (30) | - | (369) | - | (26) | (395) |
| At end of the year | **30,049** | **-** | **780** | **-** | **30,829** | **1,089** | **2,262** | **34,180** |
| **Net Book Value** | | | | | | | | |
| At 31 March 2019 | 127,856 | 1,861 | 7,069 | 442 | 137,228 | 2,810 | 1,681 | 141,719 |
| **At 31 March 2020** | **135,296** | **1,176** | **8,014** | **-** | **144,486** | **2,747** | **1,969** | **149,202** |

| **Completed Housing Properties comprise:** | **2020 £'000** | 2019 £'000 |
|---|---|---|
| Freeholds | **142,451** | 133,986 |
| Long leaseholds | **859** | 939 |
| Short leaseholds | | |
| **NBV** | **143,310** | 134,925 |

| Cost of properties includes £125k (2019: £86k) for direct administrative costs capitalised during the year | **2020 £'000** | 2019 £'000 |
|---|---|---|
| Works to existing properties in the year: | | |
| Components capitalised | **956** | 892 |
| Amounts charged to expenditure | **710** | 786 |

Note - The cost figure for properties acquired in year above is net of grant liability at transfer amounting to £997k.

## Notes to the financial statements for the year ended 31 March 2020

### 13. Investment properties held for letting and commercial letting

| Investment Properties held for letting | Group 2020 £'000 | Group 2019 £'000 | Association 2020 £'000 | Association 2019 £'000 |
|---|---|---|---|---|
| Valuation at start of year | **2,530** | 1,697 | **1,750** | 1,270 |
| Additions | **-** | 312 | - | - |
| Gain on transfers from Social Housing Lettings | **-** | 480 | - | 480 |
| Gain on valuation of investment properties | **15** | 41 | - | - |
| At end of year | **2,545** | 2,530 | **1,750** | 1,750 |

| Commercial Investment Property | Group 2020 £'000 | Group 2019 £'000 | Association 2020 £'000 | Association 2019 £'000 |
|---|---|---|---|---|
| At start of year | **470** | 470 | **470** | 470 |
| Loss on valuation of investment properties | **(45)** | - | **(45)** | - |
| At end of year | **425** | 470 | **425** | 470 |
| Total Investment Properties | **2,970** | 3,000 | **2,175** | 2,220 |

The company has adopted the provisions under sections 16.1 and 16.2 of FRS102 in relation to the revaluation of their investment properties with fair value movements taken to the Statement of Comprehensive Income. The valuation was carried out by Louis Taylor Limited, a firm of RICS registered valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation – Global Standards 2017 using qualified chartered surveyors who had sufficient current local knowledge of the particular market and skills and understanding to undertake the valuation competently

Louis Taylor Limited have stated the key assumption that due to the outbreak of the Novel Coronavirus their valuations are reported on the basis of "material valuation uncertainty" as per VPS3 and VPGA10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the Valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market they have recommended that the Valuations of these properties are kept under frequent review.

# Notes to the financial statements for the year ended 31 March 2020

## 14. Fixed asset investments

**Group Companies**
The Group comprises the following entities, all registered in England:

| Name | Incorporation and ownership | Regulated/ non-regulated | Nature of Business |
|---|---|---|---|
| Stillness 924 Limited | Companies Act 2006 – 100% | Non-regulated | Building works, Market Rent and PV panels |
| Blue Mountain Limited | Co-operative and Community Benefit Societies Act 2014 – 100% | Non-regulated | Dormant |
| Honeycomb Charitable Services Limited | Companies Act 2006 | Non-regulated | Social inclusion |
| Search Housing Association | Companies Act 2006 | Non-regulated | Dormant |

| Association | Stillness 924 Limited £'000 | Blue Mountain Limited £'000 | Honeycomb Charitable Services Limited £'000 | Search Housing Association £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At start of year | 1,700 | - | - | - |
| Additions | | | | |
| At end of year | **1,700** | **-** | **-** | **-** |

## 15. Stock

| | Group | | Association | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£'000** | £'000 | **£'000** | £'000 |
| **Properties held for sale** | | | | |
| Shared ownership properties: | | | | |
| Under construction | **1** | 442 | **1** | 442 |
| Completed | **1,082** | 319 | **1,082** | 319 |
| | **1,083** | 761 | **1,083** | 761 |

# Notes to the financial statements for the year ended 31 March 2020

## 16. Trade and other debtors

| | Group | | Association | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Rent arrears | **508** | 481 | **386** | 383 |
| Less: provision for bad debts | **(294)** | (230) | **(202)** | (155) |
| Less: Adjustment for arrears with repayment schedules | **-** | (14) | **-** | (12) |
| Subtotal | **214** | 237 | **184** | 216 |
| Social Housing Grant receivable | **-** | - | **-** | - |
| Other debtors | **608** | 634 | **520** | 314 |
| Amounts owed from group undertakings | **-** | - | **42** | - |
| Prepayment and accrued income | **688** | 524 | **467** | 519 |
| Debtors due within one year | **1,510** | 1,395 | **1,213** | 1,049 |
| Debtors due after one year – due from Group undertakings | **-** | - | **73** | 73 |
| | **1,510** | 1,395 | **1,286** | 1,122 |

## 17. Investments

| | Group | | Association | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Listed on a recognised investment exchange | **30** | 30 | **30** | 30 |
| | **30** | 30 | **30** | 30 |

## 18. Cash and cash equivalents

| | Group | | Association | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Deposit Accounts | **4,774** | 9,890 | **3,014** | 8,788 |
| Cash at bank | **85** | 676 | **35** | 52 |
| | **4,859** | 10,566 | **3,049** | 8,840 |

| | | | | |
|---|---|---|---|---|
| In the above are balances are: | | | | |
| Money held in trust for leaseholder sinking funds | **141** | 111 | **141** | 111 |
| Security Interest THFC | **895** | 725 | **895** | 725 |

## Notes to the financial statements for the year ended 31 March 2020

### 19. Creditors: amounts falling due within one year

| | Group | | Association | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Loans and overdrafts (Note 20b) | **521** | 397 | **521** | 397 |
| Trade creditors | **222** | 971 | **172** | 869 |
| Amounts owed to group undertakings | **-** | - | **-** | 2 |
| Rents and service charges paid in advance | **678** | 607 | **585** | 534 |
| Other taxation and social security payable | **177** | 103 | **96** | 73 |
| Accruals and deferred income | **2,266** | 2,239 | **1,893** | 1,737 |
| Deferred Capital Grant (Note 21) | **940** | 841 | **940** | 841 |
| Recycled Capital Grant Fund (Note 22) | **19** | - | **19** | - |
| Other creditors | **193** | 90 | **73** | 81 |
| | **5,016** | 5,248 | **4,299** | 4,534 |

### 20(a). Creditors: amounts falling due after more than one year

| | Group | | Association | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Loans (Note 20b) | **49,225** | 47,745 | **49,225** | 47,745 |
| Debenture Stock less loan issue costs plus premium on bond issue (Note 20b) | **20,562** | 20,719 | **20,562** | 20,719 |
| | **69,787** | 68,464 | **69,787** | 68,464 |
| Leaseholder sinking funds | **141** | 111 | **141** | 111 |
| Recycled Capital Grant Fund (Note 22) | **267** | 126 | **267** | 126 |
| | **70,195** | 68,701 | **70,195** | 68,701 |
| Deferred Capital Grant (Note 20) | **56,544** | 56,245 | **56,544** | 56,245 |
| | **126,739** | 124,946 | **126,739** | 124,946 |

### 20(b). Debt analysis

| | Group | | Association | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£'000** | £'000 | **£'000** | £'000 |
| **Loans repayable by instalments:** | | | | |
| In less than one year | **521** | 397 | **521** | 397 |
| In one year or more but less than two years | **535** | 521 | **535** | 521 |
| In two years or more and less than five years | **3,983** | 1,801 | **3,983** | 1,801 |
| In five years or more | **45,707** | 46,472 | **45,707** | 46,472 |
| **Loans not repayable by instalments:** | | | | |
| In less than one year | **-** | - | **-** | - |
| In one year or more but less than two years | **5,300** | - | **5,300** | - |
| In two years or more and less than five years | **3,800** | 9,100 | **3,800** | 9,100 |
| In five years or more | **11,000** | 11,000 | **11,000** | 11,000 |
| Less: loan issue costs | **(538)** | (430) | **(538)** | (430) |
| Total loans | **70,308** | 68,861 | **70,308** | 68,861 |

## Notes to the financial statements for the year ended 31 March 2020

**20(b). Debt analysis (continued…)**

Housing loans, other loans and debenture stock are secured by specific charges on the Group's individual housing properties and bear interest rates ranging between 0.76% and 11.72%.
The loans are repayable monthly/quarterly at varying rates of interest and are due to be repaid between 2021 and 2050.

The interest rate profile of the Group at 31 March 2020 was:

| | **Total £'000** | **Variable Rate £'000** | **Fixed rate £'000** | **Weighted Average rate %** | **Weighted average term Years** |
|---|---|---|---|---|---|
| Instalment loans | **50,208** | 7,172 | 43,036 | 3.54% | 20 |
| Non-instalments loans | **20,100** | - | 20,100 | 6.67% | 12 |
| | **70,308** | **7,172** | **63,136** | **4.33%** | **18** |

| At 31 March 2020 the Group has the following borrowing facilities: | £'000 |
|---|---|
| Undrawn committed facilities | - |
| Undrawn facilities | 13,000 |
| | **13,000** |

**20(c). Debt analysis – Movement in Net Debt - Group**

| | At 31 March 2019 £'000 | **Cash Flows £'000** | **Non-Cash Movement £'000** | **At 31 March 2020 £'000** |
|---|---|---|---|---|
| Cash and bank balances | 10,566 | **(5,707)** | **-** | **4,859** |
| Bank overdrafts | - | **-** | **-** | **-** |
| | 10,566 | **(5,707)** | **-** | **4,859** |
| Housing loans – due within one year | (397) | **397** | **(521)** | **(521)** |
| Housing loans – due after one year | (68,464) | **(1,817)** | **494** | **(69,787)** |
| Current asset investments | - | **-** | **-** | **-** |
| | (68,861) | **(1,420)** | **(27)** | **(70,308)** |
| Total Net Debt | (58,295) | **(7,127)** | **(27)** | **(65,449)** |

# Notes to the financial statements for the year ended 31 March 2020

## 21. Deferred capital grant

| | Group | | Association | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£'000** | £'000 | **£'000** | £'000 |
| At start of the year | **73,256** | 72,107 | **73,256** | 72,107 |
| Grant received in the year | **1,462** | 1,287 | **1,462** | 1,287 |
| Eliminated in respect of disposals | **(160)** | (138) | **(160)** | (138) |
| At the end of the year | **74,558** | 73,256 | **74,558** | 73,256 |
| Amortisation of Grant at start of the year | **(16,170)** | (15,269) | **(16,170)** | (15,269) |
| Amortisation in the year | **(940)** | (926) | **(940)** | (926) |
| Eliminated in respect of disposals | **36** | 25 | **36** | 25 |
| Amortisation at the end of the year | **(17,074)** | (16,170) | **(17,074)** | (16,170) |
| Net deferred capital grant | **57,484** | 57,086 | **57,484** | 57,086 |
| Falling Due Within One Year | **940** | 841 | **940** | 841 |
| Falling Due After More than One Year | **56,544** | 56,245 | **56,544** | 56,245 |
| Net deferred capital grant | **57,484** | 57,086 | **57,484** | 57,086 |

## 22. Recycled capital grant fund

| **Group and Association** | **2020** | 2019 |
|---|---|---|
| | **£'000** | £'000 |
| At the start of the year | **126** | 162 |
| Inputs: Grants recycled | **160** | 107 |
| Recycling: New build | **-** | (143) |
| At the end of the year | **286** | 126 |
| Falling due within one year | **19** | - |
| Falling due after more than one year | **267** | 126 |

## 23. Non-equity share capital

| | **2020** | 2019 |
|---|---|---|
| | **£** | £ |
| **Group and Association** | | |
| Allotted Issued and Fully Paid: | | |
| At the start of the year | **11** | 21 |
| Issued during the year | **-** | 2 |
| Eliminated during the year | **(1)** | (12) |
| At the end of the year | **10** | 11 |

The par value of each share is £1. The shares do not have a right to any dividend or distribution in a winding-up and are not redeemable. Each share has full voting rights. All shares are fully paid.

## Notes to the financial statements for the year ended 31 March 2020

### 24. Capital commitments

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Capital expenditure that has been contracted for but has not been provided for in the financial statements | **2,123** | 4,162 |
| Capital expenditure that has been authorised by the Board but has not yet been contracted for | **5,403** | 7,476 |
| | **7,526** | 11,638 |
| The Group expects these commitments to be financed with: | | |
| Social Housing Grant | **1,709** | 281 |
| Proceeds from the sales of properties | **492** | 1,661 |
| Committed loan facilities | **5,325** | 9,696 |
| | **7,526** | 11,638 |

The above figures include the full cost of shared ownership properties contracted for.

### 25. Operating leases

The Group holds properties and office equipment under non-cancellable operating leases. At the end of the year the Group had commitments of future minimum lease payments as follows:

| | Group | | Association | |
|---|---|---|---|---|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Land and buildings: | | | | |
| Within one year | **213** | 130 | **50** | 45 |
| In one year or more but less than two years | **167** | 109 | **30** | 24 |
| In two years or more and less than five years | **198** | 156 | **67** | 71 |
| In five years or more | **1,146** | 1,162 | **1,146** | 1,162 |
| Others: | | | | |
| Within one year | **41** | 67 | **32** | 58 |
| In one year or more but less than two years | **16** | 38 | **14** | 31 |
| In two years or more and less than five years | **18** | 27 | **18** | 24 |
| In five years or more | **-** | 3 | **-** | 3 |
| | **1,799** | 1,692 | **1,357** | 1,418 |

## Notes to the financial statements for the year ended 31 March 2020

### 26. Related parties

Honeycomb Group Limited is the Parent entity in the Group and ultimate controlling party.

**Transactions with registered and non-registered elements of the business**

The Association provides management services to its subsidiaries.
The Association also receives charges from its subsidiaries. The quantum and basis of those charges is set out below:

**Payable to Association from subsidiaries and other Group members:**

| | **Management charges** | | **Other charges** | | **Interest charges** | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| | **£'000** | £'000 | **£'000** | £'000 | **£'000** | £'000 |
| **Non-registered entities:** | | | | | | |
| Blue Mountain Housing Association Ltd | **-** | - | - | - | - | - |
| Stillness (924) Limited | **13** | 13 | - | - | - | - |
| Search Housing Association Limited | - | - | - | - | - | - |
| Honeycomb Charitable Services Limited | **288** | 288 | 196 | 194 | - | - |
| | **301** | 301 | 196 | 194 | - | - |

**Intra Group management fees**
Intra-group management fees are receivable by the Association from subsidiaries to cover the running costs the Association incurs on behalf of managing its subsidiaries and providing services.

The costs are recharged in accordance with the relevant Intra Group Agreements.

Stillness (924) Limited declared a gift aid payment of nil to the Association this year (2019: £38k).

**Transactions with non-registered entities**
During the year the Association had intra-group transactions with Stillness (924) Limited, a non-registered entity, of £89k (2019: £64k) relating to development of housing properties and rent payable on managed properties.

During the year the Association had intra-group transactions with Honeycomb Charitable Services Limited, a non-registered entity, of £194k (2019: £183k) relating to rent payable on properties.

# Notes to the financial statements for the year ended 31 March 2020

## 27. Financial instruments

| The Group's and Company's financial instruments may be analysed as follows: | Group | | Association | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£'000** | £'000 | **£'000** | £'000 |
| **Financial assets** | | | | |
| (a) Financial assets measured at amortised cost | **5,681** | 11,437 | **3,867** | 9,444 |
| (b) Financial assets that are equity instruments measured at cost less impairment | **-** | - | **1,700** | 1,700 |
| **Financial liabilities** | | | | |
| (a) Financial liabilities measured at amortised cost | **131,086** | 130,194 | 131,038 | 129,480 |

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors and other creditors.