



Teign Housing

Directors' report and financial statements
Reporting date 31 March 2019

Registered company number 04619035

Registered charity number 1112196

Regulator of Social Housing
registration number LH4403

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Teign Housing – Company Information

Board of Management

Non Executive Directors

Meeting Attendance (7 meetings)

Andrew Jones (Chair of Board)	7
Alan Soper (Chair of Audit, on sabbatical from 25/01/19)	6
Angie Edwards-Jones (Chair of Audit from 25/01/2019)	7
Maureen Robinson	7
James O'Dwyer	7
Gareth Bourton (resigned 24/01/19)	0
Mary Bennell (appointed 28/06/18)	5
Stephen Cook (appointed 28/03/19)	1
Anne-Marie Henderson (Chair of Remuneration & Nominations Committee, Retired 13/09/2018)	3

Executive Director

Jo Reece (Chief Executive)	7
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Executive Officers

Chief Executive

Jo Reece

Auditors

External Auditor

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

Internal Auditor

PricewaterhouseCoopers LLP
2 Glass Wharf
Bristol
BS2 0FR

Solicitors

Capsticks Solicitors LLP
1 George Street
London
SW19 4DR

Tozers
Southernhay West
Exeter
EX1 1UA

Bankers and Funders

Barclays Bank
PO Box 1015
3 Windsor Place, Cardiff
CF10 3ZL

GB Social Housing
5 Great St Helen's
London
EC3A 6AP

Company Secretary

Jo Reece (Resigned 13/09/2018)
Lisa Maunder (appointed 13/09/2018)

Registered Office

Millwood House,
Collett Way, Newton Abbot
Devon, TQ12 4PH

Strategic Report

The Directors present their Strategic Report incorporating the Value for Money Statement for the reporting date 31 March 2019.

The Board confirms that this Strategic Report has been prepared in accordance with the principles set out in Para 4.5 of the 2014 SORP for Registered Social Housing Providers.

Overview of the Business

Teign Housing is a registered charity, a company limited by guarantee, and is registered with the Regulator of Social Housing (formerly the Homes and Communities Agency) as a registered provider. The organisation has a wholly owned subsidiary, Templer HomeBuild Limited which commenced trading on the 1st July 2017. Its purpose is to provide property maintenance and construction services to the Social Housing sector. Consolidated accounts for the Group are also reported along with those of Teign Housing, the parent organisation.

Our focus is on the core activity of the company which is the provision of rented accommodation.

Vision

We dedicate ourselves to providing good quality homes and tailored housing support. Working with our diverse customers and trusted partners we provide effective services that bring long term benefits to all. We are sustainable in a fast-changing environment and reinvest our surpluses to grow our communities.

Our Values are:

Respect

We treat people with empathy, respect, diversity and provide quality customer service. We appreciate the relationships we build and with our customers, contractors and partners compassion we are proud to be *team Teign*.

Ethical

We value our responsibility as a charity providing homes and services for those who need them and as an employer. We are an organisation with heart and strive to offer an empowering workplace and the personal service our communities want.

Resourceful

We maximise our resources through innovation and by using our money in efficient ways. We look for opportunities to expand our business by creating new homes and creating and growing valuable services. We recognise our role in supporting the local economy

Governance

The Articles stipulate that there are up to 10 Board Members consisting of 7 non-executive and up to 3 executive members. The Board currently consists of 7 non-executive members, 1 executive member. The members of the Board are legally the directors of the company and the Board is Teign Housing's governing body.

Strategic report cont'd

The Board is committed to and complies with the standards of the National Housing Federation's Code of Governance 2015. The chair of the board chaired one meeting of the remuneration committee, which considered only the annual pay award to staff. If the board decides to retain the committee another board member will be appointed to chair it.

We aim to recruit Board members 6 months ahead of any vacancy. They join the Board as unpaid co-optees and are trained and inducted during this period before being formally appointed to the Board. Further training is carried out throughout their term of office. We conduct triannual pay benchmarking for all staff and Board posts and benchmark any vacancies for advertising. We have a schedule of standing orders and financial regulations which set out delegated authorities from the Board to its committees and the senior management team.

The Board is supported in its governance by two committees:

- Audit Committee
- Remuneration and Nominations Committee

The key governing documents are the Articles, the Standing Orders and the Financial Regulations with a range of policies that guide the operational activities of the company.

Payment of members was expanded to all Board members in July 2015. Payments during the year were:

Andrew Jones	Chair of Board	£10,378
Alan Soper	Chair of Audit	£5,176
James O'Dwyer	Board Member	£3,118
Anne- Marie Henderson	Chair of Remuneration & Nominations (retired)	£2,269
Angela Edwards-Jones	Board Member	£3,980
Maureen Robinson	Board Member	£7,831
Gareth Bourton	Board Member (resigned)	£305
Mary Bennell	Board Member	£2,662
Stephen Cook	Board Member	£1,338

For the year ending 31 March 2019 the Board met on 7 occasions. There was a 92.5% attendance at Board meetings.

Public Benefit Entity

As a public benefit entity, Teign Housing has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

Teign Housing also pays due regard to the guidance published by the Charity Commission on public benefit.

Strategic report cont'd

We provide homes for rent at lower than market prices; homes designated for older people with additional needs and shared ownership properties. For our tenants and the wider community we provide a personal alarm and home visit service under the brand TeignCare and through our commitment to building new homes we are helping to tackle the shortage of good quality affordable housing.

Financial Performance

Teign Housing Group has made a surplus after tax for the year of £5,204,000 (2017-18: £5,397,000). Full details of our financial results can be found on pages 24 - 64.

Financial performance is monitored through the annual budget, which is set by the Board. The annual budget is based on the business plan and the Board receives a report, at each meeting, assessing the company's performance against the business plan and budget.

Operational Performance

The Board has established a range of key indicators to assess the company's performance in relation to the corporate plan objectives. The Board monitors these Key Performance Indicators at each meeting through the Balanced Scorecard. As a result of the new Corporate Plan, approved by the Board in March 2018 there has been a review of the performance indicators with a revised focus for the Board from April 2018. The new plan covers a period of three years commencing in April 2018.

Further details of our operational performance including value for money can be found on pages 10 - 16.

Business Plan

The 30 year Business Plan reflects the strategic direction of the company and its future aspirations. The focus for the coming years will be to continue to maintain the housing stock to an appropriate level, deliver further new homes and manage services with a further year of reduced income. The Business Plan has been thoroughly stress tested and the key risks to the organisation identified and appropriate mitigation arrangements are in place.

Treasury Management

Teign Housing is funded by a £35m loan facility with Barclays Bank and a £25m bond with GB Social Housing. At 31 March 2019 the Group had a loan balance of £47.4m (2017-18: £46.8m) and an undrawn facility of £13.5m (2017-18: £13.5m). The funding agreements both contain three financial covenants. Teign Housing did not breach any of its loan covenants, and no breach is anticipated in the future. Finance costs on loans were £2,647m (2017-18: £2,761m) which equates to an average rate of 5.69% (2017-18: 5.47%). Finance costs of £167,000 were capitalised during the year (2017-18: £202,000). At 31 March 2019 Templer HomeBuild had loan balance with Teign Housing of £300,000 (2017-18: £200,000). There was £5.060m of capital committed to the development programme (2017-18: £7.96m) and there was a cash and cash equivalents balance of £16.179m (2017-18: £15.538m).

A 3 year cash flow forecast is maintained and is used to anticipate the group's investment and borrowing requirements.

Strategic report cont'd.

Property Sales

During the year 34 properties were sold (2017-18: 20 properties) of which 10 properties were under the Right to Buy scheme (2017-18: 11 properties). Teign Housing received proceeds of £3,943,825 of which £1,192,000 were from right to buy sales (2017-18: £1,693,000). Under the terms of the transfer agreement, £653,000 (2017-18: £630,000) of the right to buy sale proceeds were paid to Teignbridge District Council and the remainder was retained by Teign Housing in recognition of future income foregone and this will be invested in future development.

Staff

The average number of employees for the year ending 31 March 2019 was 135 (2017-18:127 employees). The Board recognises the contribution made by all staff and is committed to the continued development of its staff. During the year the company spent £39,000 on staff training and development (2017-18: £46,000).

Development

During 2018-19 we entered into five new development contracts. The schemes in progress at the reporting date will deliver a total of 21 shared ownership and, 51 rented properties.

The table below summarises the development program by tenure.

	Social Rental Units	Low Cost Home Ownership	Total Units
Under construction 31/03/2018	44	22	66
Started in the year	31	14	45
Completed in the year	23	16	39
Transfer in the year	(1)	1	0
Under construction 31/03/2019	51	21	72

We currently have contractual agreements to develop 56 homes over the next 12 months. Terms have been agreed to buy 2 schemes that should deliver a further 27 homes this year. We are in the process of securing planning approval to build a further 48 homes on land that we own or have an option to purchase.

Strategic report cont'd.

Future Direction

To achieve the Corporate Vision and Values, the Board has committed to the following strategic aims. Performance against these aims will be monitored as part of the three year corporate plan:

- Excellent Services – We will deliver high quality services to all of our customers and partners. We will provide considerate customer services, empowering housing services and effective repairs.
- Quality Homes – We will invest in new and existing homes by maintaining high standards of repairs and improvements to our current homes and develop new homes to meet the needs of the local people.
- Sustainable Business – We will strengthen our business by continually improving our governance, increasing the value of our work, seeking ways of joint working with our partners and investing in our staff.

We are committed to maintaining our financial performance and our delivery of good homes and customer services by focusing on maintaining our operational performance by maximising our income and effectively driving down costs.

In order to support these aims we have a number of strategies in place. The neighbourhood services strategy aims to provide the direction to provide excellent services and the ageing well strategy to focus on or older customers.

The asset management strategy focuses on the quality of our homes and helps to ensure that they are of a good standard and that maintained appropriately. The development strategy aims to set out the aspirations for future development and along with the business plan, which currently has capacity for 317 homes over the next 5 years. The regeneration strategy sets out plans for longer term regeneration and £500,000 has been included in the business plan, each year for the next 5 years for this purpose.

In order to maintain a sustainable business, we maintain a governance action plan which was developed in 2017 and is ongoing. Following the IIP Accreditation against the Investors in People Standard in November 2017, an action plan was drawn up focusing on areas for improvement and incorporates development opportunities taken from the IIP report for each indicator in order to improve practices further and help to progress. We have a robust training a development policy and work life balance policy. The VFM strategy serves to set out how we can continually seek to improve, quality, performance and where possible reduce costs.

Strategic report cont'd.

Risk Management

- Teign Housing maintains a Risk Map that identifies risks which might prevent the company from achieving its corporate objectives. The Board makes an assessment of each risk and approves suitable controls to manage these. The Risk Map is continually updated to reflect changes to the company's risk profile and effectiveness of the controls is monitored by the Board.
- The Board considers risk in all its decision-making and has a Risk Management Policy and Strategy to communicate its approach to risk management to all staff.
- The Board has an established programme of internal audit work designed to provide additional assurance on the company's areas of greatest risk. The internal auditors provide an independent view on the design and operation of the company's controls which informs the Board's assessment.
- During the year a Risk and Assurance manager has been appointed to oversee the management and control of the risks that the organisation is facing and to audit the controls that are in place to mitigate them.
- The summary statement of the internal control arrangements to manage and mitigate risk, are detailed in the Internal Control statement detailed on pages 17 - 18.
- Teign Housing takes a formal approach to risk management and identifies strategic risks on a risk map which is reviewed quarterly by the Board and Audit Committee. The risk map is subject to a thorough review by the Board each year. The Board has identified 6 governance, 6 finance, 3 legal, 8 market, 3 security and 1 partner failure risk which it considers strategic. Of these risks the impact of Welfare Reform on our income stream and our customers' wellbeing is of utmost concern. This is mitigated by a robust Welfare Reform Strategy which seeks to ensure the impact of Welfare Reform is minimised.
- Consumer regulatory standards are a key risk which has been highlighted by the tragic fire at Grenfell Tower. Void works and the performance failure of a key partner are also significant risks to the organisation, particularly in light of historical difficulties in relation to void performance.
- During the year we have seen the introduction of GDPR legislation and this has highlighted that data breaches are a key risk.

Our top four risks and the controls we have in place are:

- **Loss of key staff, high turnover and/or inability to recruit to key roles**

We mitigate this risk, through Salary benchmarking and by monitoring our terms and conditions. We have set appropriate notice periods and use training and succession planning to ensure staff can deputise and have wide experience. We maintain process notes for key tasks. We monitor this through our balanced scorecard. HR is standing agenda item for monthly SMT meetings and the Chief Executive meets with our HR Manager monthly.

Strategic report cont'd

- ***Failure to provide a safe environment in accordance with Health & safety legislation***

We mitigate this risk by having a Health & Safety Manager and a Health & Safety Committee. We have an Asset Management Strategy, we complete Stock Condition Survey Programmes, a Compliance scorecard, and Operational Policies. We monitor this through our Health & Safety Committee and our Internal Audits.

- ***Significant failure in service delivery***

We mitigate this risk through thorough Operational policies and have review groups and by completing satisfaction surveys. We have a Neighbourhood strategy and our use our Wholly Owned Subsidiary for repairs. We monitor this through our Balanced Scorecard, scrutiny reviews, our internal audit programme and through monitoring any complaints.

- ***Inability to prevent and recover quickly from disasters including office, housing stock or IT***

We mitigate this through having a Business Continuity Plan and an IT Disaster Recovery plan. We monitor this through regular testing of our plans and through our internal audit programme.

- Due to the current labour market, it is recognised that the loss of key staff is a risk. The cost of pensions is also highlighted due to the change in the way that the SHPS defined contribution pension scheme is being accounted for and the increase in costs expected due to the current LGPS pension scheme valuation which is underway, the results of which are expected in early 2020.
- We continue to monitor the risks associated with Brexit and in March 2019 the senior management team conducted a thorough review of all parts of the business and of Templer HomeBuild and put steps in place to mitigate any potential risks. A paper was taken and approved the March board meeting outlining these plans.

For all of these risks mitigations have been identified to reduce the impact an adverse event may have on the company and its stakeholders.

Value for Money Statement

A new Value for Money (VfM) strategy was approved by the Board in June 2018 and reflects both the change in to the value for money standard issued by the regulator in April 2018 and the organisations revised corporate plan.

The new standard states that a set of metrics should be used to measure the value for money achieved within the organisation and these are presented below.

		Group		Association		Forecast	Target	Sector Metrics
		2018/19	2017/18	2018/19	2017/18	2019/20	2018/19	2017/18
Metric 1	Reinvestment %	6.8%	5.4%	6.8%	5.4%	12.5%	2.0%	7.3%
Metric 2	A New supply delivered SH %	1.1%	1.1%	1.1%	1.1%	1.9%	3.7%	1.2%
	B New supply delivered NSH %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Metric 3	Gearing %	24.6%	25.9%	24.8%	26.0%	29.9%	34.7%	47.0%
Metric 4	EBITDA MRI Interest cover %	219.6%	233.6%	219.6%	233.6%	200.9%	207.1%	185.0%
Metric 5	Social housing cost per unit £	3070	3116	3094	3126	3319	3234	3550
Metric 6	A Operating margin SH %	40.7%	41.2%	40.4%	40.9%	36.7%	36.6%	30.0%
	B Operating margin overall %	39.4%	40.2%	39.2%	40.1%	32.2%	32.4%	27.8%
Metric 7	ROCE %	5.7%	5.8%	5.7%	5.8%	4.7%	7.5%	4.0%

The group's metrics presented above compare favourably with that of the sector with the exceptions being housing re-investment and new supply delivered Social Housing (SH). Whilst below the average, the group's reinvestment has increased since 2017-18 to 6.8%. This is due to there being more opportunity available recently for the acquisition of section 106 developments and a small number of homes being developed became available on land owned by the organisation, for example, previous garage sites. The investment in development has been greater in 2018-19 than previously, with another £5m already invested developments which will be completed in 2019-20.

This calculation is based on units completed and in 2018-19 we did not reach our target of new supply delivered. There were some delays due to the availability of labour which affected two sites and a third has been delayed due to an issue with a gas pipeline. In 2018-19 we delivered a total of 39 units. 23 for social rent and 16 shared ownership properties. (2017-18: 30 for social rent and 11 shared ownership) However, new supply is forecast to increase and there were 51 affordable rented properties and 21 shared ownership properties under construction at the reporting date. For the future we will be continuing with our development aspirations and we aim to deliver 317 homes over the next 5 years. In 2019-20 it is not anticipated that there will be any non social housing development but it is expected that the sector average will be exceeded for the delivery of social housing.

Gearing has reduced from 2017-18 and although long term loans have remained static, the value of tangible assets have increased due to capital investment, reducing the ratio. At 24.6% this is well below

Value for Money Statement cont'd.

the sector average, however it is forecast to increase in 2019-20 due to further investment in new homes and increased expenditure on regeneration.

The EBITDA MRI interest cover (Earnings Before Interest, Tax, Depreciation and Amortisation, Major Repairs Included) has reduced as the surplus is less than it was in 2017-18. It is expected to fall further next year as we continue to invest in new homes, technology and regeneration.

The social housing cost per unit is much more favourable than the average and had reduced from the 2017-18 figures.

The operating margin is much higher than the sector average, as is the overall margin and has shown a slight reduction from last year. It is much more positive than the target due to an improvement in the surplus, which is partially due to two property sales that were not budgeted for. These are both anticipated to reduce in 2019-20 due to the planned increase in expenditure described above.

The return on capital employed has remained fairly static, but it is forecast to reduce in 2019-20.

We continue to be committed to providing good levels of customer service in a more rigorous financial environment and we continue to use our resources in an innovative and cost effective manner.

Value for Money underpins all business activities at Teign Housing and it is driven by the Board. VfM is about reviewing what we do and how we do it in order to make informed choices about how resources are effectively channelled towards the delivery of services and corporate priorities. The aim is to make the best use of our customers' money whilst balancing the cost and time with quality as well as stakeholder benefit, reasonable customer expectations, organisational benefits and business survival.

The Board's focus on VfM allows the company to continue to deliver good services and grow through developing new homes. The recent business plan, allowing for a further year of rent reduction, includes the delivery of 317 new homes over the next 5 years.

The Board scrutinise financial and service delivery performance at each meeting, through the management accounts and balanced scorecard, and any areas of poor performance are supported by a detailed narrative identifying the issues and the steps being taken to deliver improvements.

These include:

- Value for Money Matrix – full details of value for money achievements
- The balanced scorecard including Housemark Benchmarking Results – comparative figures with our peers in the sector
- Quarterly treasury report – details of cash flow performance, loans, investments and forecasts
- Quarterly financial framework report - details of financial performance
- Annual report – report sent annually to our tenants
- Quarterly development report – progress of development schemes, comparison to business plan, development cash flows

Value for Money Statement cont'd.

An evaluation of our costs in comparison to the global accounts is presented below and the figures for Teign Housing have been re-stated in line with the current global accounts format. The latest figures available as a comparative are the year ending March 2018.

Area	Teign Housing			RSH Global accounts		
	2018-19 £	2017-18 £	2016-17 £	2018 £	2017 £	2016 £
Expenditure – per Social Housing Property						
Management	934	960	1,004	944	872	1020
Routine & planned maintenance	790	720	682	960	958	997
Major repairs – total	1,014	1,130	946	813	830	1,009
Major repairs – revenue	365	362	481	251	242	296
Major repairs – capital	649	768	465	562	588	713

These figures show that for routine and planned maintenance repairs in 2018-19 the organisations costs were below the average cost for 2017-18 by 18%. Major repairs, both capital and revenue remain above the sector average and whilst revenue expenditure has remained fairly static, there is some fluctuation in the capital expenditure year on year due to the planning of the maintenance programme in order to make the most efficient use of resources. In 2017-18 the management costs were higher than average however the 2018-19 costs are already showing a reduction and are now below the sector average. Further scrutiny of management costs and tight budgetary control will improve the overall efficiency of the organisation. Monthly meetings are held with the budget holder to analyse spend and the refresh of the financial regulations have introduced tighter controls around spend against budget.

We have a strong commitment to invest in our housing stock for the future and we maintain a 5 year rolling stock condition survey to ensure that the investment in our stock is focused in the right areas and maintains the longevity and desirability of our homes, this has been reflected in the recent Business Plan approved by the Board in May 2019. We continue to look for opportunities to invest in renewable energy solutions for both our new build and existing homes.

Annually we submit data to Housemark to allow us to compare our costs and satisfaction against a variety of peer groups. The peer group that we use and evidenced in the table below is 'all South West Housing Associations'

Value for Money Statement cont'd.

Teign Housing Cost Per Property			Comparison Group	Comparison Group
			Median	Upper
	2018-19	2017-18	2017-18	2017-18
Department	£	£	£	£
Major and Cyclical Maintenance	1,220	1,311	1,404	1,146
Responsive and Void Repairs	621	579	837	774
Housing Management	565	571	464	423
Estate Services	162	167	176	156
No of Properties	3,669	3,622	5373	3693

Major and cyclical maintenance costs compare favourably to the median as do responsive repair and void costs. Housing management cost are above the median comparison group and are showing a slight improvement on last year. A full review of the provision of housing for older people, project transformation is underway which will take an in depth look in to the services provided, the quality of those services and possibly widening the offering. Part of this will be an in-depth look at all the costs associated with this and the use of resources. Estate services have also showed a slight improvement and are also below the median comparison group.

The Asset Management Strategy approved by the Board in August 2018 continues to give us a clear direction about the future use of our assets such as continued use, redevelopment or disposal. It defines the Teign Standard which continues to be above the Decent Homes standard but allows us to proactively manage our planned maintenance programme to drive out maximum cost efficiency. Where we dispose of properties that were not suitable or sustainable as affordable housing, the proceeds are used to support the development of new homes.

We continue to:

- Review our own land, housing stock and garage sites for development opportunities – where suitable these are now included within the future development programme.
- Review key assets for potential
- The asset management software tool continues to improve the knowledge of our housing stock, including neighbourhood mapping and allows us to model the various options to determine the future of the asset.

Below is an extract from the scorecard which presents the companies performance against targets set internally and against targets taken from Housemark data in for the year ended 31st March 2018.

Value for Money Statement cont'd.

Area	2018-19	2017-18	Housemark 2017-18 Benchmark	Target 2018-19
Void losses	0.44%	0.86%	0.50%	0.50%
Void turnaround time	20.5 days	26.2 days	24.36 days	19 days
Avg days to complete a repair	8.91 days	8.47 days	8.11 days	9 days
Gas safety checks	100.00%	100.00%	100.00%	100.00%
Customer satisfaction with key service areas				
Repairs	97.40%	97.20%	81.57%	95.00%
Standard of property on letting (defect free)	100.00%	96.40%	N/A	100.00%
Satisfaction with Complaints process	80.00%	50.00%	81%	90.00%
Rent collection and arrears				
Rent collection	100.02%	101.46%	100.20%	100.00%
Rent arrears (% of annual debit)	2.32%	1.90%	2.30%	3.00%

The final year of the rent reduction continues to present a significant driver for efficiency and we will continue to work to the revised VfM Strategy which was put in place in June 2018. The opportunity to further enhance the digital offering to customers continues to be a vital part our approach to Value for Money into the future. In the corporate plan, incorporated in 'providing excellent services' there is a focus on increasing mobile working capacity by 15% by March 2020 and encouraging more people to get on line by offering training through our 'digibug' service. A paper was presented to the board in January, outlining the approach to our digital strategy, presenting the current position and suggesting what the future may look like, including the barriers that may be faced. The strategy will developed during the year ending March 2020 and

In 2018-19 our VfM focus was on:

- The implementation of Civica CX, the new housing management system which went live in February 2019 has allowed us to look at more efficient and secure ways of processing our data. The 'go live' was delayed by around 10 months as we wanted to be sure that we were in a position to change software providers safely and without putting the organisation at risk. We went through a thorough testing process, which uncovered some issues and took longer than initially planned. The decision was also made that the implantation would be split in to stages, so some of the modules are still being developed. The initial implementation will be followed over the next 18 months with the implementation of phase two. We have not yet realised any quantifiable cost savings from using the new software. It is still in the bedding in phase and is not yet being used to its full potential. Ultimately we plan to save around 40% of processing time as a result of the implementation of Civica CX.

Value for Money Statement cont'd.

- Continually reviewing the overall planned maintenance programme in light of the rolling stock condition surveys and validation surveys, which have reduced the reliance on automatic component replacement driven by age. This has resulted in improved component lifecycles whilst continuing to maintain a good stock investment standard. The Planned Maintenance programmes have been re-profiled and 'smoothed' to ensure consistency of delivery and manage peaks in expenditure.
- The phasing in of an 'MOT' system has commenced for responsive repairs, which will lead to each property being visited on an annual basis for routine repairs; with reactive visits only being required for emergencies. In 2018-19 priority was given to 'high cost' properties and those with low repairs activity. The aim was to visit 30% of all properties in the first year and then to increase it to 100% over the next 5 years. The roll out did not go as expected due to resource issues in Templer HomeBuild and in 2018-19 with only 89 (just over 2.5%) completed. We are in the process of reviewing the staffing in Templer HomeBuild to ensure that they can get out to more properties in 2019-20. These visits will be co-ordinated alongside annual Tenancy Management visits with the aim to get to 30% of all stock in 2019-20.
- The Wholly Owned Subsidiary, Templer HomeBuild, began trading on 1 July 2017. 2018-19 was the first full year of trading. This is providing us with greater control over service delivery and alongside cost efficiencies by the continued roll out of the annual 'MOTs' and one stop "fix all" service, which eliminates the need for multiple visits to the property and providing a better service for the tenant. The Price per Property model which is used, places an emphasis on 'right first time' generating progressive efficiencies and cost savings. The VAT savings to be realised from Templer HomeBuild in 2018-19 were £337,000. The 2019-20 budget includes a further VAT saving of £371,000 and a further 1% saving through efficiencies.

In April 2018 the gas servicing was brought into Templer Homebuild. We have already realised a saving of £112k in year one of the contact, compared to 2017-18. More importantly this has given us the more control over service delivery and enable us to provide an efficient service to our tenants.

- The cost of repairs to void properties and the lost rental income due to the amount of time that a property was vacant due to the turnaround time have both received much scrutiny and were subject to a lean process review in order to maximise efficiency. This initially was not as successful as hoped and required further work. The way that void repairs are purchased and Invoiced changed in July 2018 and we have seen a positive impact on turnaround time and the standard of the property on letting and hence reducing void losses. We do currently have an issue with the cost of some voids being in excess of what we budgeted for and of what we have seen in recent years. Although the overall number of voids has fallen from 262 in 2017-18 to 215 in 2018-19, which has mitigated some of the increased costs, we are seeing a spike in the number of voids which are costing over £4k to repair. There were 67 in 2018-19, including 10

Value for Money Statement cont'd.

which cost over £10k. This has resulted in an overall cost increase of £20k to the void repair costs. An in depth analysis is being done to this to try and identify any trends or patterns in order so that we can put steps in place to try to improve this problem.

- A zero inflation budget has been maintained for 2019-20.
- Technological enhancements are being implemented along with the new housing management system. The website was redesigned in 2018 to allow customers greater and easier access to services and, in some areas, for more automated responses to be delivered thereby reducing staff involvement. This will continue to be developed to offer a wider range of information and services to our customers. We are also reviewing mobile working practices to provide more flexibility for our employees and to enable them to be more accessible to our customers.
- We continue to work with our customers and our employees to prepare them for the roll out of Universal Credit which went live in the district in September 2018. The Welfare Reform Action Group continue to meet regularly to share knowledge and best practice to allow us to develop our knowledge and support customers through the changes.
- Our continued use of Active Asset Management Sustainability software allows us to identify and to dispose of inappropriate and high value assets. We have disposed of 2 properties, comprising of 4 homes in 2018-19 and have plans to dispose of a further property comprising of 9 homes in 2019-20.
- We continue to be a member of the Advantage South West Procurement Consortium. This organisation exists to improve lives and homes through innovation and collaboration and improves value for money for its members. In 2018-19, the savings delivered through the membership of this consortium total £158,642 and a further £113,568 of RPI avoidance. The majority of the savings were through the reduced cost of windows and aids and adaptations.
- It was our intention to bring the payroll processing for Teign in house in the autumn of 2018. This was not successful due to the primary focus being on the implementation of the new housing management system.

Due to the delay the planned savings anticipated have not yet materialised, but this is now planned to go ahead in the summer of 2019.

All of this continues to allow us to ensure that the Business Plan can manage the impact of the final year of the rent reduction, deliver new homes and improve the overall capacity of the plan whilst still delivering the aims and aspirations of the company.

Assurance and Internal Control

The Board of Teign Housing has overall responsibility for establishing and maintaining an effective system of internal control. The systems of internal control are the measures designed to ensure that Teign Housing is successfully working toward its objectives, and that the risks which threaten the achievement of the company's objectives are identified and properly managed. Such a system can provide reasonable but not absolute assurance, and cannot entirely eliminate risk.

The Board reviews the system of internal controls, assesses its effectiveness and takes any steps it considers necessary to maintain or improve their effectiveness.

Teign Housing's system of internal controls includes the measures set out below.

Policy and strategy – there are a range of policies and strategies in place that determine and guide the activities and arrangements of the company.

Prevention and detection of fraud

The system of internal control includes measures designed to prevent or detect fraud.

The Board has established a policy on the prevention, detection and investigation of fraud which includes a whistle blowing procedure and an anti-money laundering policy. The company uses different measures to prevent and detect fraud which include but are not limited to:

- A Risk Management Framework
- Policies on staff conduct
- Declarations of interest
- Key reconciliations
- Financial Regulations
- Authorisation controls
- Access controls
- Exception reports
- Cash receipting procedures


Board's assessment of assurance and internal control

The Board has conducted a review and made enquiries of the Executive and Senior Management Team to inform its view on the effectiveness of Teign Housing's internal controls. A full report on Internal Controls Assurance was provided to the Audit Committee on 27 June 2019. The results of the Board's review are the basis of this statement.

Teign Housing has assessed its compliance with the Regulator of Social Housing's Governance and Financial Viability Standard and considers itself to be compliant.

The Board confirms that an effective system of internal control has been in place throughout the reporting date 31 March 2019 and up to the date of signing this report.

The Strategic Report, incorporating the Value for Money Statement, was approved by the Board of Directors on 27 June 2019 and signed on its behalf by:



Andrew Jones
Chair of the Board

Directors Report

The Directors present their Directors report for the reporting date 31 March 2019.

Directors

The directors who served the company during the year are shown on page 2.

Information for auditors

The directors who held office at the date of approval of this Board Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Statement of Compliance

The company has chosen in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. This includes information that would have been included in the business review and the principal risks and uncertainties.

Statement of Directors Responsibilities

The directors are responsible for preparing the Board Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the surplus or deficit of the company for that period.

In preparing these financial statements the directors are required to:

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

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

This report was approved by the Board of Directors and signed on its behalf by:



Andrew Jones
Chair of the Board
27 June 2019

Independent auditor's report to the members of Teign Housing Limited

Opinion

We have audited the financial statements of Teign Housing "the parent Association" and its subsidiary ("the group") for the year ended 31 March 2019 which comprise the consolidated and parent Association Statement of Comprehensive Income, the consolidated and parent Association Statement of Financial Position, the consolidated and parent 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 parent Association's affairs as at 31 March 2019 and of the group'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 Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we

identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent Association and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

In addition, we have nothing to report in respect of the following matter where the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's 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 Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.

Sue Hutchinson (Senior Statutory Auditor)
For and on behalf of
BEEVER AND STRUTHERS
Statutory Auditor
St George's House
215/219 Chester Road
Manchester
M15 4JE

Beever and Struthers

Date: *29 August 2019*

Statement of Comprehensive Income

	Note	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Turnover	2	19,517	18,531	19,598	18,559
Cost of sales	2	(1,212)	(542)	(1,212)	(542)
Operating expenditure	2	(10,611)	(10,547)	(10,701)	(10,582)
Gain on disposal of property, plant and equipment	2	485	513	485	513
Operating surplus	2	8,179	7,955	8,170	7,948
Interest receivable	4	77	54	86	61
Interest and financing costs	5	(3,052)	(2,612)	(3,052)	(2,612)
Surplus before tax		5,204	5,397	5,204	5,397
Taxation	7	-	-	-	-
Surplus for the year after tax		5,204	5,397	5,204	5,397
		5,204	5,397	5,204	5,397
Other Comprehensive Income					
Initial recognition of multi-employer defined benefit scheme		(468)	-	(468)	-
SHPS - Actuarial loss in respect of pension schemes		(249)	-	(249)	-
LGPS - Actuarial gain in respect of pension schemes		275	373	275	373
Total		(442)	373	(442)	373
Total comprehensive income for the year		4,762	5,770	4,762	5,770

The financial statements on pages 24 to 64 were approved and authorised for issue by the Board on 27 June 2019 and were signed on its behalf by:

Lisa Maunder
Company Secretary

Andrew Jones
Chair of the Board

James O'Dwyer
Director

The results relate wholly to continuing activities and the notes on pages 28 to 64 form an integral part of these accounts.


Statement of Financial Position

	Group Year Ended 31-Mar-19 Note	£'000	Group Year Ended 31-Mar-18 £'000	Association Year Ended 31-Mar-19 £'000	Association Year Ended 31-Mar-18 £'000
Fixed Assets					
Intangible Assets	8	606	273	606	273
Tangible Assets	9	128,474	122,950	128,474	122,950
Investment Properties	10	400	400	400	400
		129,480	123,623	129,480	123,623
Current Assets					
Stock	11	1,109	1,196	1,109	1,196
Trade and other debtors	12	752	592	1,022	802
Cash and cash equivalents	13	16,179	15,538	16,010	15,416
		18,040	17,326	18,141	17,414
Less creditors: amounts falling due within one year	14	(3,181)	(2,732)	(3,282)	(2,820)
Net Current Assets		14,859	14,594	14,859	14,594
Total assets less current liabilities		144,339	138,217	144,339	138,217
Creditors: amounts falling due after more than one year	15	(53,875)	(53,499)	(53,875)	(53,499)
Provisions for Liabilities					
Pension Liability	20	(1,766)	(782)	(1,766)	(782)
Total Net Assets		88,698	83,936	88,698	83,936
Reserves					
Income and Expenditure reserve		56,849	51,982	56,849	51,982
Revaluation reserve		31,849	31,954	31,849	31,954
Total Reserves		88,698	83,936	88,698	83,936

These statements were approved and authorised for issue by the Board on 27 June 2019 and were signed on its behalf by:


Lisa Maunder
Company Secretary


Andrew Jones
Chair of the Board


James O'Dwyer
Director

The notes on pages 28 to 64 form an integral part of these accounts.

Statement of Changes in Reserves

Group:

	Income and expenditure reserve £'000	Revaluation reserve £'000	Total £'000
Balance at 1st April 2017	45,625	32,541	78,166
Surplus from Statement of Comprehensive Income	5,397	-	5,397
Actuarial gains relating to the year	373	-	373
Transfer from revaluation reserve to income and expenditure reserve	587	(587)	-
Balance at 31st March 2018	51,982	31,954	83,936
Surplus from Statement of Comprehensive Income	5,204	-	5,204
Actuarial losses relating to the year	(442)	-	(442)
Transfer from revaluation reserve to income and expenditure reserve	105	(105)	-
Balance at 31st March 2019	56,849	31,849	88,698

Association:

	Income and expenditure reserve £'000	Revaluation reserve £'000	Total £'000
Balance at 1st April 2017	45,625	32,541	78,166
Surplus from Statement of Comprehensive Income	5,397	-	5,397
Actuarial gains relating to the year	373	-	373
Transfer from revaluation reserve to income and expenditure reserve	587	(587)	-
Balance at 31st March 2018	51,982	31,954	83,936
Surplus from Statement of Comprehensive Income	5,204	-	5,204
Actuarial losses relating to the year	(442)	-	(442)
Transfer from revaluation reserve to income and expenditure reserve	105	(105)	-
Balance at 31st March 2019	56,849	31,849	88,698

The notes on pages 28 to 64 form an integral part of these accounts.

Consolidated Statement of Cash Flows

Statement of Cash Flows	Group	Group
For the reporting date 31st March 2019		
	2019	2018
	£'000	£'000
Cash flows from operating activities		
Surplus for the year after tax	5,204	5,397
Adjustments for investing or financing activities		
(Gain) on sale of fixed assets	(485)	(513)
Interest receivable	(77)	(54)
Interest and financing costs	3,052	2,612
	2,490	2,045
Adjustments for non-cash items:		
Depreciation	1,684	1,920
Government grant utilised in the year	(68)	(66)
Decrease/(Increase) in stock	87	(691)
(Increase)/Decrease in trade and other debtors	(160)	724
Increase/(Decrease) in trade and other creditors	983	(3,116)
Initial recognition of multi-employer defined benefit scheme	(442)	-
	2,084	(1,229)
Net cash generated from operating activities	9,778	6,213
Cash flow from investing activities		
Capital expenditure on housing properties	(7,675)	(6,338)
Net proceeds on sale of housing properties	1,185	1,038
Purchase of other fixed assets and intangible assets	(399)	(185)
Government grant received	364	-
Interest received	77	53
Net cash used in investing activities	(6,449)	(5,432)
Cashflow from financing activities		
Interest paid	(2,689)	(2,842)
Interest element of finance lease rental payment	-	(7)
Loans repaid	-	-
Net cash used in financing activities	(2,689)	(2,849)
Net change in cash and cash equivalents	641	(2,068)
Cash and cash equivalents at beginning of year	15,538	17,606
Cash and cash equivalents at year end	16,179	15,538

The notes on pages 28 to 64 form an integral part of these accounts.

Notes to the financial statements

Legal Status

Teign Housing is a private company limited by guarantee incorporated in England under the Companies Act 2006, it is a registered charity under the Charities Act 2011, and is registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing. The registered office is Millwood House, Collett Way, Newton Abbot, Devon, TQ12 4PH.

1 Principal Accounting Policies

Basis of Accounting

The Group's financial statements have been prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered social housing providers (2014). The Group is required under the Companies Act (Group Accounts) Regulations 2006 to prepare consolidated Group accounts.

The financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The financial statements have been prepared in compliance with FRS102. The financial statements are prepared on the historical cost basis of accounting as modified by the valuation of the transferred rented housing stock to deemed cost on transition to FRS 102 and are presented in £000's. Investment properties are included in the financial statements at valuation.

As a public benefit entity, Teign Housing has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

The Group financial statements consolidate the financial statements of Teign Housing (the parent) and its subsidiary undertaking Templer HomeBuild Limited for the year ended 31 March 2019.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent company.
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole, and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

Principal Accounting Policies cont'd

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Teign Housing and entities controlled by the Group (its subsidiary). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Intercompany transactions and balances between group entities are eliminated in full upon consolidation.

Going Concern

The company's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. Government announcements in July 2015 impacting on the future income of the company led to a reassessment of the company's business plan as well as an assessment of imminent or likely future breach in borrowing covenants. No significant concerns were noted.

The business plan was stress tested and assessed for any imminent or likely future breach in borrowing covenants. No significant concerns have been noted we consider it appropriate to continue to prepare the financial statements on a going concern basis.

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 statement of financial position 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 company capitalises development expenditure when the Board approve the agreement for contract. Initial capitalisation of costs is based on management's judgement that the development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.
- b. **Categorisation of housing properties.** The company has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the company has considered if the asset is held for social benefit or to earn commercial rentals.

Principal Accounting Policies cont'd

- c. Tangible fixed assets.** Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- d. Intangible Fixed Assets.** Software purchased and developed is an intangible asset. Cost is measured initially at acquisition cost or costs incurred to develop the asset including directly attributable staff costs. Development expenditure incurred on an individual project is capitalised only if specific criteria are met including that it is probable that the asset will generate future economic benefits. These assets will be depreciated over their useful economic life of 3 - 5 years
- e. Pension and other post-employment benefits.** The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 20. The Group participates in the Social Housing Pension Scheme ('SHPS'), a defined benefit multiemployer pension scheme administered by TPT Retirement Solutions ('TPT'). Historically, TPT has not been able to provide sufficient information for each social landlord's share of SHPS to allow defined benefit accounting to be applied. Instead, in accordance with FRS 102 paragraphs 28.11 and 28.11A and Housing SORP paragraphs 15.9 to 15.12, SHPS has been accounted for as a defined contribution scheme and recognised a liability for the present value of the landlord's deficit funding agreement. Following changes made to systems and processes by TPT, sufficient information is now available for SHPS. In January 2019, the Financial Reporting Council issued FRD71 ('Draft amendments to FRS 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland – Multi-employer defined benefit plans.') which provides proposed changes to FRS 102 on this issue. Consistent with the guidance in FRED 71 paragraph 4 (FRS 102 paragraph 28.11B), the difference between the deficit funding liability and the net defined benefit deficit for SHPS has been recognised in Other Comprehensive Income. This constitutes a change in accounting policy. The relevant date to apply the adjustment is judged to be 1 April 2018, as TPT Retirement Solutions does not have data to provide sufficient information before the date 31 March 2018. Further disclosures in this area are included in note 20.

Principal Accounting Policies cont'd

- f. 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. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

A review of void losses in the year has been carried out and no properties have been identified as impaired.

A review of the schemes in development has been carried out and no properties have been identified as impaired.

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

- g. Provision for bad debts.** A provision is made for bad debts based on the age of the debt. The rates of the provision increase from 10% for debts over 13 weeks to 50% for debts over 52 weeks. Former tenant arrears are provided for at 100%.

Turnover and revenue recognition

Turnover comprises rental income receivable from tenants and leaseholders, income for other services supplied excluding VAT, income from sale of Shared Ownership and Retained Equity properties, income from development activities and amortised capital grant. Income is 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. Sales of properties developed for outright sale are included in Turnover and Cost of Sales.

Service charges

Service charge income and costs are recognised on an accruals basis. The company operates variable service charges on a scheme by scheme basis in full consultation with residents.

Operating Leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

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.

Principal Accounting Policies cont'd

Capitalised Interest

Interest on our development schemes is capitalised from the point the Board approves the project and the company begins to incur development costs.

Categorisation of Debt

The Group's debt has been treated as "basic" in accordance with paragraphs 11.8 and 11.9 of FRS 102.

Corporation Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity respectively.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Value Added Tax

The company 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 company and not recoverable.

Intangible Assets

Intangible assets are for IT software. They are stated at cost less accumulated depreciation. The useful economic life is 3 to 5 years.

Tangible Assets

Properties for social rent transferred from the Local Authority are stated at deemed cost less accumulated depreciation, all other properties and tangible fixed assets are stated at historic cost less accumulated depreciation. 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

Principal Accounting Policies cont'd

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. Cost includes the cost of acquiring land and buildings, development costs, and interest charges incurred during the development period. Staff costs and overheads directly attributable to bringing housing properties into working condition for their intended use are capitalised. 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 company depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

UELs for identified components are as follows:

Property Costs	100 Years
Cornish Units	50 Years
Kitchens	20 Years
Bathrooms	30 Years
Wiring	30 Years
Heating/boilers	15 Years
Windows and Doors	30 Years
Pitched Roof	70 Years
Flat Roof	20 Years
Disabled adaptations	10 Years

Low Cost Home 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. Interest on loans used to finance the development of new housing properties is capitalised during the construction period.

Finance Leases

Where assets are financed by leasing arrangements that give rights approximating to ownership, they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term, this is generally equivalent to the original cost of the assets. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and finance cost elements and the finance costs are charged to the Statement of Comprehensive Income.

Principal Accounting Policies cont'd

Other Tangible Fixed Assets

Other tangible fixed assets are stated at cost less accumulated depreciation. Leased assets are depreciated over the life of the lease if this is shorter than their useful economic life. Depreciation is provided on a straight line basis, at rates considered appropriate to write off the assets over their useful economic lives as follows:

IT equipment	3 to 5 years
Leasehold Improvements	5 to 10 years
Office premises	90 years
Office fixtures and fittings	3 to 5 years
Teigncare Alarm Equipment	3 to 10 years
Motor Vehicles	4 years
Electrical works	40 years
New technology	15 years
Gas installations	25 years

Investment Property

Investment property includes commercial properties not held for the social benefit of the company. 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 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.

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 Statement of Comprehensive Income in other operating expenses.

Social Housing Grant

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

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

Principal Accounting Policies cont'd

SHG must be recycled by the company 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.

Revaluation Reserve

The revaluation reserve represents the difference on transition between the fair value of transfer rented social housing properties and their historical cost carrying value, where deemed cost transitional relief was taken.

2 Turnover, cost of sales, operating expenditure and operating surplus

Group	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	2019 Operating surplus £'000	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	2018 Operating surplus £'000
Social housing lettings (note 2a)	17,376	-	(10,296)	7,080	17,288	-	(10,169)	7,119
Other social housing activities								
Teigncare alarm services	212	-	(174)	38	219	-	(189)	30
Other services	62	-	(25)	37	74	-	(65)	9
First tranche low cost home ownership sales	1,470	(1,047)	-	423	281	(211)	-	70
Retained equity home ownership sales	164	(165)	-	(1)	344	(331)	-	13
Activities other than social housing								
Lettings (note 2b)	233	-	(116)	117	325	-	(124)	201
Total	19,517	(1,212)	(10,611)	7,694	18,531	(542)	(10,547)	7,442
Gain/(loss) on disposal of property, plant and equipment (note 2c)				485				513
Operating surplus				8,179				7,955

2 Turnover, cost of sales, operating expenditure and operating surplus cont'd.

Association	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	2019 Operating surplus £'000	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	2018 Operating surplus £'000
Social housing lettings (note 2a)	17,426	-	(10,393)	7,033	17,295	-	(10,229)	7,066
Other social housing activities								
Teigncare alarm services	212	-	(174)	38	219	-	(189)	30
Other services	94	-	(18)	76	95	-	(40)	55
First tranche low cost home ownership sales	1,470	(1,047)	-	423	281	(211)	-	70
Retained equity home ownership sales	164	(165)	-	(1)	344	(331)	-	13
Activities other than social housing								
Lettings (note 2b)	232	-	(116)	116	325	-	(124)	201
Total	19,598	(1,212)	(10,701)	7,685	18,559	(542)	(10,582)	7,435
Gain/(loss) on disposal of property, plant and equipment (note 2c)				485				513
Operating surplus				8,170				7,948

2a Income and expenditure from lettings

Group	General needs £'000	Housing for older people £'000	Low cost home ownership £'000	Other £'000	Total 2019 £'000	Total 2018 £'000
Income						
Rent receivable, net of identifiable service charge and voids	11,136	4,157	316	418	16,027	16,028
Service charge income	355	730	7	44	1,136	1,011
Amortised government grants	68	-	-	-	68	66
Other income from social housing lettings	80	64	-	1	145	183
Turnover from social housing lettings	11,639	4,951	323	463	17,376	17,288
Operating expenditure						
Management	(2,450)	(956)	(5)	(15)	(3,426)	(3,478)
Service charge costs	(586)	(289)	(6)	(15)	(896)	(858)
Routine maintenance	(1,965)	(237)	-	(34)	(2,236)	(2,007)
Planned maintenance	(576)	(21)	(1)	(2)	(600)	(601)
Major repairs expenditure	(1,030)	(285)	1	(114)	(1,428)	(1,312)
Bad debts	(55)	(22)	-	-	(77)	(47)
Depreciation of housing properties	(1,180)	(426)	(10)	(6)	(1,622)	(1,842)
Amortisation	(8)	(3)	-	-	(11)	(24)
Operating expenditure on social housing lettings	(7,850)	(2,239)	(21)	(186)	(10,296)	(10,169)
Operating surplus on social housing lettings	3,789	2,712	302	277	7,080	7,119
Void losses	(50)	(22)	1	(3)	(74)	(144)

2a Income and expenditure from lettings cont'd.

	General needs	Housing for older people	Low cost home ownership	Other	Total 2019	Total 2018
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Rent receivable, net of identifiable service charge and voids	11,136	4,157	316	418	16,027	16,028
Service charge income	355	730	7	44	1,136	1,011
Amortised government grants	68	-	-	-	68	66
Other income from social housing lettings	130	64	-	1	195	190
Turnover from social housing lettings	11,689	4,951	323	463	17,426	17,295
Operating expenditure						
Management	(2,450)	(956)	(5)	(15)	(3,426)	(3,478)
Service charge costs	(587)	(289)	(6)	(15)	(897)	(858)
Routine maintenance	(2,008)	(244)	-	(35)	(2,287)	(2,044)
Planned maintenance	(587)	(21)	(1)	(2)	(611)	(601)
Major repairs expenditure	(1,057)	(290)	1	(116)	(1,462)	(1,335)
Bad debts	(55)	(22)	-	-	(77)	(47)
Depreciation of housing properties	(1,180)	(426)	(10)	(6)	(1,622)	(1,842)
Amortisation	(8)	(3)	-	-	(11)	(24)
Operating expenditure on social housing lettings	(7,932)	(2,251)	(21)	(189)	(10,393)	(10,229)
Operating surplus on social housing lettings	3,757	2,700	302	274	7,033	7,066
Void losses	(50)	(22)	1	(3)	(74)	(144)

2b Turnover from activities other than social housing

	Group 2019		Group Association 2019		Association 2018	
	£'000	£'000	£'000	£'000	£'000	£'000
Garage lettings	188	282	188	282	282	282
Commercial property lettings	45	43	45	43	43	43
	233	325	233	325	325	325

2c Gain on disposal of assets

Group and Association	Right to Buy Sales		Low Cost Home Ownership		Property Disposals		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Proceeds of sales	1,192	164	164	461	1,817	1,693	1,817	1,693
Less: Costs of sales	(359)	(61)	(61)	(259)	(679)	(550)	(679)	(550)
Amount payable to Teignbridge District Council	(653)	-	-	-	(653)	(630)	(653)	(630)
Gain	180	103	103	202	485	513	485	513

3 Directors' emoluments, key management personnel & employee information

	2019	2018
	£'000	£'000
The aggregate emoluments paid to or receivable by non executive Directors and former Directors	30	32
The aggregate emoluments paid to or receivable by executive Directors and former Directors	122	117
	152	149
The emoluments paid to the highest paid Director excluding pension contributions	122	117
The aggregate amount of Directors or past Directors' pensions, excluding amounts payable under a property funded pension scheme	-	-

	Group	Group	Association	Association
The number of full time equivalent staff whose remuneration payable fell within bands of:	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
£60,000 to £69,999	5	2	4	1
£90,000 to £99,999	-	-	-	-
£100,000 to £109,999	-	-	-	-
£110,000 to £119,999	-	1	-	1
£120,000 to £129,999	1	-	1	-

The Chief Executive is an ordinary member of the pension scheme. The pension scheme is a final salary scheme and was funded by annual contributions by the employee, and the employer in 2018-19. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by the company of £Nil (2018: £Nil) was paid in addition to the personal contributions of the Chief Executive.

Directors (key management personnel) are defined as the members of the Board and the Chief Executive. There is one director accruing benefits in the defined benefit pension scheme.

Employee information

	Group	Group	Association	Association
The average number of persons employed during the year expressed in full time equivalents (37 hours per week) was:	2019	2018	2019	2018
Office staff	83	82	61	70
Wardens, caretakers and cleaners	13	13	14	13
Maintenance staff	39	32	-	-
	135	127	75	83

3 Directors' emoluments, key management personnel & employee information cont'd.

	Group	Group	Association	Association
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Staff costs (for the above employees)				
Wages and salaries	3,860	3,211	2,363	2,225
Social Security costs	370	294	216	191
Other Pension costs	142	85	115	78
Non Executive Director Wages and salaries	30	30	30	30
	<u>4,402</u>	<u>3,620</u>	<u>2,724</u>	<u>2,524</u>

4 Finance income and other income

	Group	Group	Association	Association
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank finance income	77	54	77	54
Interest received from Group entities	-	-	9	7
	<u>77</u>	<u>54</u>	<u>86</u>	<u>61</u>

5 Finance costs and similar charges

	Group	Group	Association	Association
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Lease finance costs	6	7	6	7
On loans wholly or partly repayable in more than five years	2,634	2,726	2,634	2,726
FRS 102 fair value adjustment	521	35	521	35
Costs associated with financing	13	8	13	8
Net interest on the defined liability	45	37	45	37
Less finance costs capitalised on housing properties under construction	(167)	(202)	(167)	(202)
Other interest charges	-	1	-	1
	<u>3,052</u>	<u>2,612</u>	<u>3,052</u>	<u>2,612</u>

6 Surplus on ordinary activities before taxation

Is stated after charging/(crediting)	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Depreciation of housing properties	1,645	1,794	1,645	1,794
Depreciation of other fixed assets	104	102	104	102
Amortisation of intangible fixed assets	25	24	25	24
Operating lease rentals (land and buildings)	13	39	13	39
Operating lease rentals (other)	35	49	35	49
Auditors remuneration (excluding VAT)				
- In their capacity as auditors	17	29	16	27
- Other service	2	1	2	1
Amortisation of government grant	(68)	(66)	(68)	(66)

7 Taxation on surplus on ordinary activities

Teign Housing is a registered charity. Charitable activities of the Company are exempt from United Kingdom Corporation Tax.

Analysis of charge/(credit) for the year	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Current tax				
UK corporation tax at 19% (2018: 19%)	-	-	-	-
Adjustment in respect of prior years	-	-	-	-
Total current tax charge/(credit)	-	-	-	-
Deferred tax				
Total deferred tax charge/(credit)	-	-	-	-
Tax on surplus on ordinary activities	-	-	-	-
Reconciliation of tax charge				
Surplus on ordinary activities before taxation	5,204	5,397	5,204	5,397
Tax on surplus at standard corporation tax rate of 19% (2018: 19%)	989	1,025	989	1,025
Effects of:				
Non-taxable surplus on charitable activities	(989)	(1,025)	(989)	(1,025)
Expenses not deductible for tax purposes	1	1	-	-
Non trade charges utilised in period	(1)	(1)	-	-
Tax charge/(credit) for the year	-	-	-	-

8 Intangible assets – IT software

	2019
	£'000
Cost	
At 1 April 2018	1,009
Additions	358
At 31 March 2019	1,367
Amortisation	
At 1 April 2018	(736)
Charge for year	(25)
At 31 March 2019	(761)
Net book value	
At 31 March 2019	606
At 31 March 2018	273

9 Tangible fixed assets

	Social Housing Properties for Letting Completed	Social Housing Properties for letting under construction	Low cost home ownership properties completed	Low cost home ownership properties under construction	Total housing properties	Land	IT equipment	Office	Supported Housing equipment	Fixtures, fittings & other equipment	Motor Vehicles	Total fixed assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost												
At 1 April 2018	122,174	729	4,351	484	127,738	65	318	1,296	321	259	71	130,068
Additions	(197)	6,569	-	2,332	8,704	-	6	-	28	11	12	8,761
AUC Transfers	2,832	(2,832)	1,540	(1,540)	-	-	-	-	-	-	-	-
Transfer to Current Assets	-	-	(24)	(862)	(862)	-	-	-	-	-	-	(862)
Transfers	17	-	(24)	7	-	-	-	-	-	1	-	1
Disposals	(649)	-	(51)	-	(700)	-	-	-	-	-	(17)	(717)
At 31 March 2019	124,177	4,466	5,816	421	134,880	65	324	1,296	349	271	66	137,251
Depreciation												
At 1 April 2018	(6,097)	-	(117)	-	(6,214)	-	(240)	(179)	(238)	(205)	(42)	(7,118)
Charge for the year	(1,602)	-	(43)	-	(1,645)	-	(38)	(17)	(29)	(10)	(10)	(1,749)
Transfers	45	-	2	-	47	-	-	-	-	(1)	-	46
Disposals	24	-	3	-	27	-	-	-	-	-	17	44
At 31 March 2019	(7,630)	-	(155)	-	(7,785)	-	(278)	(196)	(267)	(216)	(35)	(8,777)
Net book Value												
At 31 March 2019	116,547	4,466	5,661	421	127,095	65	46	1,100	82	55	31	128,474
At 31 March 2018	116,077	729	4,234	484	121,524	65	78	1,117	83	54	29	122,950

9 Tangible fixed assets cont'd

Number of units owned and managed

Group and Association	2019 Social Rent	2019 Affordable Rent	2019 Total	2018 Total
Social Housing Accommodation				
Under development at end of year				
General needs housing	21	30	51	44
Low cost home ownership	21	-	21	22
Under management at end of year				
General needs housing	2,380	179	2,559	2,552
Supported housing and housing for older people	998	-	998	1,002
Low cost home ownership	81	-	81	68
	3,501	209	3,710	3,688
Social Housing Accommodation				
Managed for others at end of year			31	26
			31	26

The value of property additions includes £167,000 of capitalised finance costs (2017-18: £202,000). Finance costs are charged on all schemes during the development stage. The total cumulative value of capitalised finance costs is £720,000 (2017-18: £553,000). The average rate of finance costs are 4.27% (2017-18: 4.25%).

Housing properties were valued by Jones Lang LaSalle in accordance with Royal Institute of Chartered Surveyors procedures. Properties valued annually for funding commitments for GBSH at 31 March 2019 equated to £36.2m and properties valued triennially for funding commitments at 31 March 2018 equated to £61.7m, £97.9m in total.

The total expenditure on repairs and maintenance to existing properties in the year was £6,756,000 (2017-18: £6,697,000). Of this £2,382,000 was capitalised under the SORP 2014 (2017-18 £2,777,000).

The residual value of the housing property assets represents land which is not depreciated. The cost of land at 31 March 2019 was £34,355,000 (2018: £34,644,000).

10 Investment properties held for letting

Group and Association	2019 £'000
Cost	
At 1 April 2018	400
	400
At 31 March 2019	400

Investment properties were valued at 31 March 2016 by Jones Lang Lasalle, professionally qualified external valuers. The valuation of properties was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards. These properties were part of the original stock transfer from Teignbridge District Council and transferred with a nil value. The shops have been valued separately for balance sheet purposes on the Market Value basis using a simplified investment approach.

The Board has considered the year end carrying value and deems it a fair reflection of market value.

11 Stock

Group and Association	2019 £'000	2018 £'000
Properties held for sale		
Low cost home ownership properties		
Completed	247	472
Under construction	862	563
Outright sale properties		
Completed	-	161
	1,109	1,196

There are 21 low cost home ownership properties under construction and 5 properties completed and available for sale at 31 March 2019.

12 Trade and other debtors

	Group	Group	Association	Association
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Arrears of rent and service charges	412	396	412	396
Provision for bad and doubtful debts	(219)	(167)	(219)	(167)
	<u>193</u>	<u>229</u>	<u>193</u>	<u>229</u>
Prepayments and accrued income	436	363	406	373
Other trade receivables	123	-	123	-
Amounts owed by subsidiary undertakings	-	-	300	200
	<u>752</u>	<u>592</u>	<u>1,022</u>	<u>802</u>
Amounts due in less than one year	<u>752</u>	<u>592</u>	<u>1,022</u>	<u>802</u>
Amounts due in more than one year:				
Amounts owed by subsidiary undertakings	-	-	-	-
	<u>752</u>	<u>592</u>	<u>1,022</u>	<u>802</u>
Amounts due in less than one year	<u>752</u>	<u>592</u>	<u>1,022</u>	<u>802</u>

13 Cash and cash equivalents

	Group	Group	Association	Association
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Short term deposits	8,500	10,770	8,500	10,770
Cash at bank	7,679	4,768	7,510	4,646
	<u>16,179</u>	<u>15,538</u>	<u>16,010</u>	<u>15,416</u>
	<u>16,179</u>	<u>15,538</u>	<u>16,010</u>	<u>15,416</u>

14 Creditors: amounts falling due within one year

	Group	Group	Association	Association
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade payables	91	166	91	161
Accruals and deferred income	1,011	766	935	915
Rent and service charges paid in advance	704	642	704	642
Right to Buy sharing agreement (see below)	653	630	653	630
Amounts owed to subsidiary	-	-	248	-
Other creditors	507	177	480	160
Deferred capital grant (note 15b)	68	66	68	66
Recycled Capital Grant Fund (note 15c)	-	36	-	36
Social Housing Pension Scheme agreement plan (note 20)	-	103	-	103
VAT creditor	5	2	5	2
Income Tax (PAYE) and National Insurance	102	91	58	52
Lease obligations	40	53	40	53
	3,181	2,732	3,282	2,820

The Right to Buy sharing agreement is part of the inventory transfer agreement and requires Teign Housing to pay a share of the proceeds from property sales to Teignbridge District Council.

15 Creditors: amounts falling due after more than one year

	Group	Group	Association	Association
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank loans (note 15a)	47,379	46,849	47,379	46,849
Lease obligations	73	113	73	113
Deferred capital grant (note 15b)	6,368	6,074	6,368	6,074
Recycled Capital Grant Fund (note 15c)	47	11	47	11
Social Housing Pension Scheme agreement plan (note 20)	-	452	-	452
Sinking Fund (Haldon)	8	-	8	-
	53,875	53,499	53,875	53,499

15a Bank loans

The Group and Association loans are repayable in the following periods:

	Group	Group	Association	Association
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Fixed rate loans				
Within one year	-	-	-	-
2 to 5 years	-	-	-	-
In 5 years or more	40,379	43,349	40,379	43,349
Variable rate loans				
Within one year	-	-	-	-
2 to 5 years	3,500	-	3,500	-
In 5 years or more	3,500	3,500	3,500	3,500
	47,379	46,849	47,379	46,849

All loans are secured by specific charges on the Company's housing properties and are repayable at varying rates of finance costs, from 2.63% to 6.77%.

The average rates of finance costs on the loans outstanding at 31 March 2019 were:

Fixed rate loans	6.21%	(2017-18: 5.71%)
Variable rate loans	2.65%	(2017-18: 2.42%)

At 31 March the Group and Association also had the following undrawn loan facilities:

	2019	2018
	£'000	£'000
Undrawn committed facilities	5,855	5,855
Other facilities	7,645	7,645
Total undrawn facilities	13,500	13,500

15b Deferred capital grant

	Group	Group	Association	Association
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
At start of the year	6,140	6,250	6,140	6,250
Received during the year	364	-	364	-
Grants recycled on disposals to RCGF	-	(44)	-	(44)
Released to income during the year	(68)	(66)	(68)	(66)
	6,436	6,140	6,436	6,140
Amount due to be released < 1 year	(68)	(66)	(68)	(66)
Amount due to be released > 1 year	6,368	6,074	6,368	6,074

The total accumulated government grant and financial assistance received or receivable at 31 March 2019 is £6,941k, of which, £6,436k is included as deferred capital grant and £505k has been recognised as income through the Statement of Comprehensive Income to date.

15c Recycled capital grant fund

	Group	Group	Association	Association
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
At 1 April 2018	47	-	47	-
Inputs to RCGF:				
Grants recycled	-	46	-	46
Interest accrued	-	1	-	1
At 31 March 2019	47	47	47	47
Due within one year	-	36	-	36
Due in more than one year	47	11	47	11
	47	47	47	47
Amounts 3 years or older where repayment may be required	36	-	36	-

All balances relate to Homes England.

16 Operating leases

The Group and Association have operating leases for the provision of its town centre office, car parking spaces, communal TV aerial equipment, water coolers, photocopiers and heating. These leases commit the company to total future payments as follows:

	2019	2018
	£'000	£'000
Land and buildings:		
Not later than one year	13	39
Later than one year and not later than five years	-	26
Others:		
Not later than one year	35	49
Later than one year and not later than five years	-	40
	48	154

The lease agreements do not include any contingent rent or restrictions.

17 Share capital

Teign Housing is a company limited by guarantee and as such does not have share capital. At 31 March 2019 the company's only guarantor was Teignbridge District Council and the extent of the guarantee was £1.

18 Financial instruments

Teign Housing Group has the following financial instruments

	2019	2018
	£'000	£'000
Financial assets that are debt instruments measured at amortised cost:		
Cash at bank and in hand	16,179	15,538
Rental and service charge arrears	193	229
Other trade receivables	123	-
	16,495	15,767
Financial liabilities at amortised cost:		
Trade and other creditors	598	343
Loans	47,379	46,849
Finance leases	113	166
	48,090	47,358

19 Capital commitments

	2019	2018
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	5,058	6,017
Capital expenditure that has been authorised by the committee of management but has not yet been contracted for	6,263	1,946
	11,321	7,963
	11,321	7,963

The company expects these commitments to be financed over the life of the committed development program over a period of 2 years with:

20 Pensions

(a) Social Housing Pension Scheme

The company participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is now possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme.

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

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

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

	31 March 2019	31 March 2018
	(£000s)	(£000s)
Fair value of plan assets	3,325	3,134
Present value of defined benefit obligation	4,524	4,157
Surplus (deficit) in plan	(1,199)	(1,023)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(1,199)	(1,023)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	-	-

RECONCILIATION OF THE IMPACT OF THE ASSET CEILING

	Period ended
	31 March 2019
	(£000s)
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2019 (£000s)
Defined benefit obligation at start of period	4,157
Current service cost	17
Expenses	5
Interest expense	108
Contributions by plan participants	39
Actuarial losses (gains) due to scheme experience	(68)
Actuarial losses (gains) due to changes in demographic assumptions	12
Actuarial losses (gains) due to changes in financial assumptions	345
Benefits paid and expenses	(91)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	4,524

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

	Period ended 31 March 2019 (£000s)
Fair value of plan assets at start of period	3,134
Interest income	82
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	40
Contributions by the employer	121
Contributions by plan participants	39
Benefits paid and expenses	(91)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	3,325

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £122,000.

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCl)

	Period from 31 March 2018 to 31 March 2019 (£000s)
Current service cost	17
Expenses	5
Net interest expense	26
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in statement of comprehensive income (SoCl)	48

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2019 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	40
Experience gains and losses arising on the plan liabilities - gain (loss)	68
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(12)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(345)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(249)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	(249)

ASSETS

	31 March 2019	31 March 2018
	(£000s)	(£000s)
Global Equity	560	619
Absolute Return	288	383
Distressed Opportunities	60	30
Credit Relative Value	61	-
Alternative Risk Premia	192	119
Fund of Hedge Funds	15	103
Emerging Markets Debt	115	126
Risk Sharing	100	29
Insurance-Linked Securities	95	82
Property	75	144
Infrastructure	174	80
Private Debt	45	28
Corporate Bond Fund	155	129
Long Lease Property	49	-
Secured Income	119	116
Over 15 Year Gilts	-	-
Liability Driven Investment	1,216	1,143
Net Current Assets	6	3
Total assets	3,325	3,134

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

KEY ASSUMPTIONS

	31 March 2019	31 March 2018
	% per annum	% per annum
Discount Rate	2.36%	2.60%
Inflation (RPI)	3.24%	3.13%
Inflation (CPI)	2.24%	2.13%
Salary Growth	3.24%	3.13%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

20 Pensions cont'd

(b) Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Devon County Council. The total contributions made for the year ended 31 March 2019 were £55,000, of which employer's contributions totalled £41,000 and employees' contributions totalled £14,000. The agreed contribution rates for future years are 22% for employers and range from 5.5% to 8.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 March 2019 by a qualified independent actuary.

	At 31 March 2019	At 31 March 2018
Rate of increase in salaries	3.95%	3.85%
Rate of increase for pensions in payment / inflation	2.45%	2.35%
Discount rate for scheme liabilities	2.35%	2.55%
Inflation assumption (CPI)	2.45%	2.55%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 March 2019	At 31 March 2018
	Years	Years
Retiring today		
Males	22.4	23.5
Females	24.4	25.6
Retiring in 20 years		
Males	24.1	25.7
Females	26.2	27.9

20 Pensions cont'd

Analysis of the amount charged to operating costs in the Statement of Total Comprehensive Income

	At 31 March 2019	At 31 March 2018
	£'000	£'000
Employer service cost (net of employee contributions)	(77)	(82)
Administration expenses	(5)	(4)
Total operating charge	(82)	(86)
Analysis of pension finance income / (costs)		
Net Interest on the defined liability	(19)	(28)
Amounts charged to financing costs	(19)	(28)
Amount of gains and losses recognised in the Statement of Comprehensive Income		
Actuarial (loss)/gain recognised	275	373
Movement in (deficit) during year	At 31 March 2019	At 31 March 2018
	£'000	£'000
Deficit in scheme at 1 April	(782)	(1,087)
Movement in year:		
Employer service cost (net of employee contributions)	(77)	(82)
Employer/Employee contributions	41	46
Net interest/return on assets	199	81
Re-measurements	(382)	264
Change in demographic assumptions	439	-
Administration expenses	(5)	(4)
Deficit in scheme at 31 March	(567)	(782)
Asset and Liability Reconciliation	At 31 March 2019	At 31 March 2018
	£'000	£'000
Reconciliation of liabilities		
Liabilities at start of period	8,188	8,389
Service cost	77	82
Interest cost	206	215
Employee contributions	14	14
Re-measurements	382	(264)
Change in demographic assumptions	(439)	-
Experience gain on defined benefit obligation	-	-
Benefits paid	(232)	(248)
Liabilities at end of period	8,196	8,188

20 Pensions cont'd

Reconciliation of assets	At 31 March 2019	At 31 March 2018
	£'000	£'000
Assets at start of period	7,406	7,302
Return on plan assets	405	296
Other actuarial losses	-	-
Re-measurements	(5)	(4)
Employer contributions	41	46
Employee contributions	14	14
Benefits paid	(232)	(248)
Assets at end of period	7,629	7,406

21 Related parties

As permitted by FRS 102 paragraph 33.1A, the Association has not presented details of related party transactions with other companies that are wholly owned by within the Group.

During the year, the Company's transactions with Teignbridge District Council fell within the definition of Related Parties under Financial Reporting Standard 102 Section 33. All transactions with Teignbridge District Council are on an arms length basis and under normal commercial terms. The Council provided a number of services to the Company during the period, details of which are shown below:

Service	2019	2018
	£'000	£'000
Section 106 Charges	10	11
Town Centre Shop rent	37	37
Professional services	-	3
Refuse collection	7	8
Repairs and maintenance	1	1
Other	6	3
	61	63

The Board had 1 tenant member (retired in September 2018) who held a tenancy agreement on normal terms and could not use their position to their advantage. Transactions and balances at the year end are as follows:

Related parties cont'd.

Tenant Board member	Rent charged 2019 £'000	Rent charged 2018 £'000	Arrears on tenancy at 31 March 2019 £'000	Arrears on tenancy at 31 March 2018 £'000
Anne Marie Henderson	2	5	-	-

Transactions with regulated and non regulated elements of the business

The association provides management services, other services and loans to its subsidiary.

The association also receives charges from its subsidiary for labour services provided for property maintenance and compliance.

Gift aid from the subsidiary is recognised at year end on receivable basis and is calculated based on the profit for the year end.

Payable to the association from non-regulated subsidiaries

Member	Transaction	2019 £'000	2018 £'000
Templer HomeBuild Limited	Gift aid	50	7
Templer HomeBuild Limited	Management & administration	34	22
Templer HomeBuild Limited	Loan interest	9	7
		93	36

Payable by Non-regulated subsidiaries from the association

Member	Transaction	2019 £'000	2018 £'000
Templer HomeBuild Limited	Property services provided	1,776	1,156
Templer HomeBuild Limited	Loans	300	200
		2,076	1,356

22 Consolidated structure and investment

On 17 October 2005 Teign Development Limited was formed as a wholly owned subsidiary of Teign Housing. Teign Development Limited changed its name to Templer HomeBuild Limited on 11 April 2017 and commenced trading on the 1 July 2017. The principal activity of Templer HomeBuild is the provision of property maintenance and construction services to the Social Housing sector, including properties for rent and sale. Templer HomeBuild profit for the year was nil and had net assets of nil, at 31 March 2019 (2018: Nil).

23 Low cost home ownership – buyback liability

Teign Housing has two low cost home ownership properties that have mandatory buy back clauses, this means that in the event of the owner being unable to sell their property we are obliged to purchase their share. These will be noted as contingent liabilities in the accounts. A contingent liability is one where the outcome of an existing situation is uncertain, and this uncertainty will be resolved by a future event.

10 Lonsee Gardens

Sale date – 23rd November 2010

Share percentage bought – 35%

Price of percentage bought - £53,235

Original 100% market value as stated in the Lease - £152,100

The property/shares were transferred to a new shared owner on 21st November 2013.

The 100% market value on 21st November 2013 was £145,000

12 Lonsee Gardens

Sale date – 1st October 2010

Share percentage bought – 25%

Price of percentage bought - £37,537.50

Original 100% market value as stated in the Lease – £150,150

