# Financial Statements

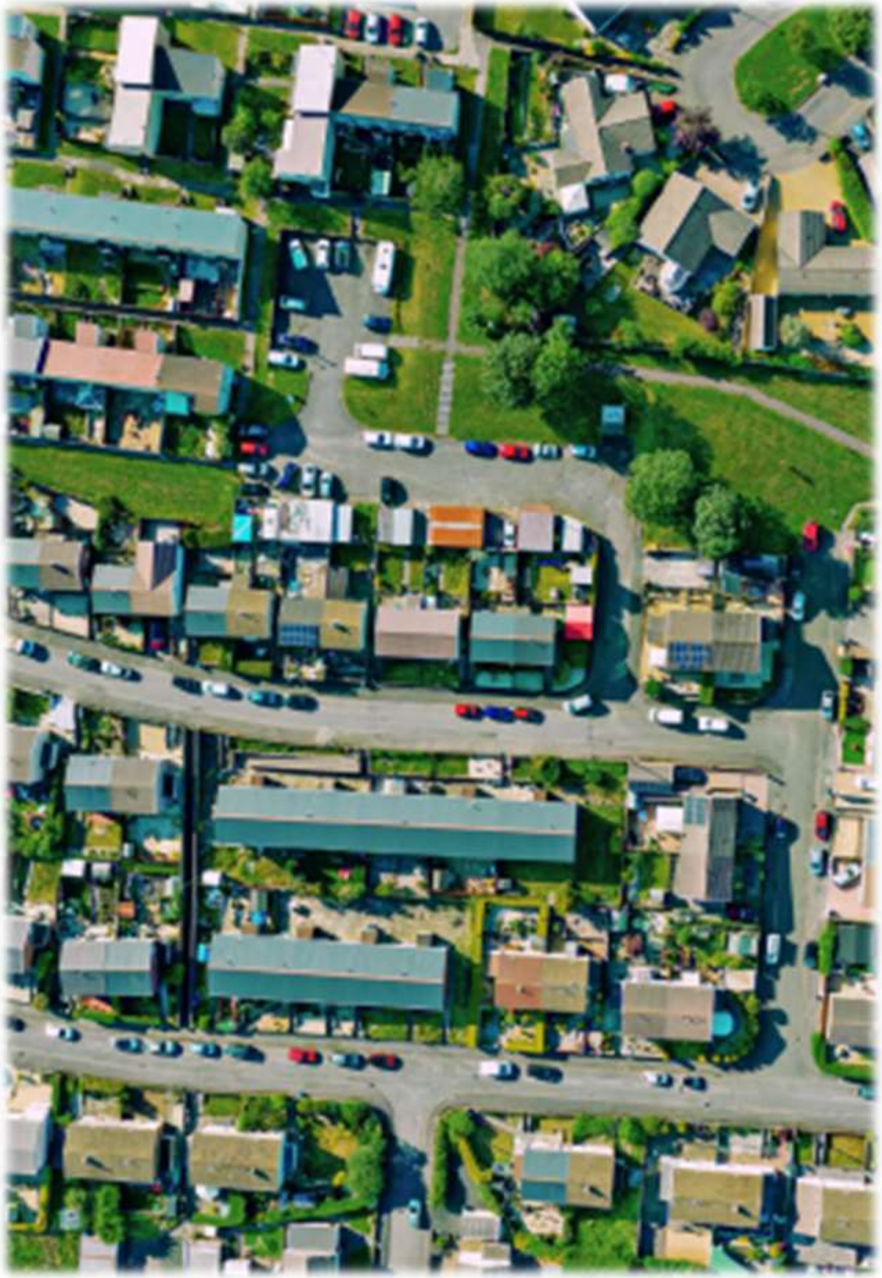
## For the year ended March 2021

Connexus Housing Limited

Company Number 30269R

Regulator Registration Number LH4494

Connexus



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| Company registration number | **IP30269R**<br>Registered as a Cooperative and Community Benefit Society |
| Financial Conduct Authority Registration number | **LH4494** |
| Registered office | The Gateway<br>The Auction Yard<br>Craven Arms<br>Shropshire<br>SY7 9BW |
| Independent Auditor | KPMG LLP<br>One Snowhill<br>Snow Hill Queensway<br>Birmingham<br>B4 6GH |
| Solicitor | Anthony Collins<br>134 Edmund Street<br>Birmingham<br>B3 2ES |
| Bankers | RBS<br>5th Floor<br>2 St Philips Place<br>Birmingham<br>B3 2RB |

## Meet Our Executive Directors

Richard Woolley (appointed April 2019)

Chief Executive

Christine Duggan (appointed July 2017)

Director of Operations

Andrew Cooke (appointed October 2019)

Director of Resources

Victoria Tomlinson (appointed June 2019)

Director of Property

Joanne Tracey (appointed January 2021)

Director of People

Nicola Griffiths (appointed March 2019)

Company Secretary

## Board Members and Non-Executive Directors

The Connexus Group operated with co-terminus boards, where the board members act for and on behalf of the whole Group. Connexus Housing One Limited (CH1L), Connexus Housing Three Limited (CH3L), Connexus Housing Two Limited (CH2L) and Connexus Housing Limited share the same board members.

The non-executive directors of the Group who were in office during the year and up to the date of signing the financial statements are set out below. The Board comprises of nine Ordinary board members and the Group's Chief Executive Officer.

The Board is responsible for the Group's strategic direction. Day to day management and implementation is delegated to the Chief Executive and his Executive team who meet at least fortnightly. The Executive Directors and senior colleagues attend Board and committees.

The Board meet a minimum of four times a year. The Chief Executive and Chair meet regularly.

The Group has insurance policies that indemnify both its Board Members and Executive Directors against liability when acting for the Companies. Except for the Chief Executive, Richard Woolley and Andrew Cooke Director of Resources, Executive Directors are not Board Members for any subsidiaries and act as executives within the authority delegated by the Board.

A summary of the board and committee membership is overleaf, with details of the Individual Board members in the following pages.

## CONNEXUS BOARD & COMMITTEE MEMBERS

## Which Boards do they sit on?

| | Co-terminous Board | | | | A&R Cttee | CS Cttee | Co-terminous Committee | | | | | | F&T Cttee | HCL | SHTL | R&HR Cttee |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | CHL | CH1L | CH2L | CH3L | | | E&D Cttee | CEL | E4L | FDL | FLL | RPDL | | | | |
| John Barker | Chair | Chair | Chair | Chair | | Board member | | | | | | | Board member | Chair | Chair | Board member |
| Andrew Battrum | Board member | Board member | Board member | Board member | Board member | | Chair | Board member | Board member | Board member | Board member | Board member | Chair | | | |
| Nicola De Iongh | Board member | Board member | Board member | Board member | | | | | | | | | | | | Board member |
| Simon Ewins | Board member | Board member | Board member | Board member | | | Board member | Board member | Board member | Board member | Board member | Board member | Board member | | | |
| Simon Gibbs | Board member | Board member | Board member | Board member | | | Board member | Board member | Board member | Board member | Board member | Board member | Board member | | | |
| Maggie Punyer | Board member | Board member | Board member | Board member | Board member | Chair | | | | | | | | | | |
| Abigail Reilly | Board member | Board member | Board member | Board member | | Board member | | | | | | | | | | Chair |
| Paul Smith | Board member | Board member | Board member | Board member | | Board member | Board member | Board member | Board member | Board member | Board member | Board member | | | | |
| Andrew Taylor | Board member | Board member | Board member | Board member | Chair | | | | | | | | Board member | Board member | Board member | |
| Richard Woolley | Board member | Board member | Board member | Board member | | | Board member | Board member | Board member | Board member | Board member | Board member | | Board member | Board member | |
| Nick Garner (co-optee) | | | | | Co-optee | | | | | | | | | | | |
| Paul O'Driscoll (co-optee) | | | | | | | Co-optee | Co-optee | Co-optee | Co-optee | Co-optee | Co-optee | | | | |
| Imran Patel (co-optee) | | | | | | Co-optee | Co-optee | Co-optee | Co-optee | Co-optee | Co-optee | Co-optee | | | | |
| Andrew Cooke | | | | | | | | | | | | | | Board member | Board member | |

= Chair = Board member = Co-optee

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| CHL | Connexus Housing Limited | CEL | Connexus Enterprise Limited (formerly TRL) | E&D Cttee | (Group) Enterprise and Development Committee | CH1L | Connexus Housing One Limited |
| CH2L | Connexus Housing Two Limited | E4L | Enterprise 4 Limited | RPDL | Rise Partnership Development Limited | R&HR Cttee | (Group) Remuneration & Human Resources Committee |
| CH3L | Connexus Housing Three Limited | FDL | Floreat Development Limited | FLL | Floreat Living Limited | A&R Cttee | (Group) Audit & Risk Committee |
| CS Cttee | (Group) Customer Services Committee | F&T Cttee | Finance & Treasury Committee | | | | |

## Chair's Foreword

I am sure none of us realised how difficult the last year was going to be and it is of great credit to all Connexus colleagues that work has continued to maintain and develop services for our customers throughout the year as much as Government guidance would allow.

The safety of residents and staff has been uppermost in our minds over the last year. And it has been a year in which many of our residents have faced greater social and economic hardship as a result of the pandemic. We have worked with partners to look to respond to this including undertaking welfare calls to all residents during the first lockdown.

The three year corporate plan was launched during the year with a renewed focus on customers and on our homes in the counties of Shropshire and Herefordshire. The emphasis is on improving existing homes within Connexus and services in our communities, whilst continuing to build 250 mixed tenure new homes each year.

This focussed plan led to some notable achievements during the year including:

- The sale of the Careline business and transfer of Independence Trust out of the Group to cement Connexus' focus on core services in the Shropshire and Herefordshire counties only.
- Completion of 189 new homes across Herefordshire and Shropshire against a target of 143 including 72 for affordable rent and 14 for social rent.
- Collapse of the Connexus corporate structure from four Registered Providers of Social Housing to one to simplify processes, reduce risk and allow more money to be spent on what matters to customers.
- The opening of a young people's service in Hereford in our newly refurbished Bath Street premises, building on our experience of similar projects in Ludlow.

The other focus for the Board has been to continue to improve Connexus' governance and compliance with health and safety requirements. This has been achieved through completion of a plan agreed with the Regulator of Social Housing (RSH) in 2019 I am pleased to say that this was completed in September 2020 with confirmation from external advisors that governance standards had improved in accordance with the plan. The RSH has confirmed that they will be reviewing Connexus' compliance with the regulatory standards in the third quarter of 2021/22.

I would also like to thank John Cross, David Lincoln and Allison Taylor who resigned from the Board in the year for their contributions to Connexus.

Following an extensive and successful recruitment process the Board welcomed new non-executive appointments – Nicola de Iongh and Simon Ewins, as well as Imran Patel as a co-optee to board committees. They bring a wealth of experience from customer focussed services in the private and public sector to further strengthen an experienced and effective board.

**John Barker**
**Chair**

## Chief Executive's Foreword to the Financial Statements

The focus for the year has been hugely impacted by the pandemic and I am very proud of how our staff have responded in maintaining services despite the restrictions and in focussing our energies on the health and safety of our residents. At the time of writing, it is hoped that the worst aspects of the pandemic are now behind us. However, we are aware that there will be hardship for many following this and Connexus will continue to provide services to help our tenants sustain their tenancies and providing wider support to the communities we serve.

Although maintaining services during the pandemic has been Connexus' operational focus for 2021, there have also been two other key priorities, the governance improvements (highlighted by the Chair, above) and the delivery of the first year of the Corporate Plan 2020-23.

One of the final pieces of bringing together Connexus is the embedding of the culture across the business and emphasising that the focus should always be on "what matters to the customer". In 2021 we appointed Jo Tracey as Director of People to further strengthen our executive team. Jo has a number of years' experience as a Director in housing organisations and in addition to her core people skills, brings a strong commitment to equality, diversity and inclusion.

Whilst customer focus is our primary goal, an essential aspect of this is delivering genuine efficiencies and providing services that are value for money. In 2022 Connexus will be undergoing a more formal approach of evaluating our costs against similar organisations in the sector and continuing with corporate efficiency initiatives including progressing with the disposal of two our main offices. This will be completed while implementing a hub based working system in the two counties with the Head Office maintained at the Gateway, Craven Arms so that services to customers are undiminished.

A hybrid working approach has been implemented ahead of planned (as a result of the pandemic) with some staff able to work at home delivering further efficiencies.

Despite the pandemic, efficiencies have been delivered in 2021 the cumulative savings since merger are £3.327m (£1.884m 2020)

Whilst the focus remains on our customers, Connexus continues to have a wider influence with delivery of new homes in Shropshire and Herefordshire including the social housing highlighted in the Chair's report. The year also saw the completion of 31 open market sales in our popular Radbrook scheme in Shrewsbury. The profits from this are ploughed back into the group to provide more affordable housing in the two counties.

Our operating margin for the year (Inc. Disposals) is 26.4% (2020: 28%) against a forecast of 30.9% (2020: 26.9%), the variance to forecast is primarily down to delays in the delivery of some efficiency savings as a result of Covid19, Corporate Restructure costs in the year ahead of our amalgamation to one registered provider and Pension costs due to the impact of the pandemic on investment returns.

**Richard Woolley,**

**Chief Executive**

## Report of the Board

The Board presents its report and the audited consolidated financial statements for the year ended 31 March 2021.

### Principal activities

The legal parent of the Group is Connexus Housing Limited through which all statutory powers of the Group are vested, and all the accounts of the Group are consolidated. The Board operate under a co-terminous arrangement and below are details of the governance Structure.

The Association is registered with the Cooperative and Community Benefit Societies Act 2014, Registered No. 30269R. It is also registered with and regulated by the Regulator of Social Housing in accordance with the Housing and Regeneration Act 2008, Registered No. LH 4494. The Association has charitable objects and is a charity for tax purposes (reference XT4980).

Connexus Housing Limited ('the company") was formed for the benefit of the community in providing housing, accommodation and related services for people in need.

### Review of business and future developments

Details of the Group's performance for the financial year and future plans are set out in the Strategic Report that follows this report.

### Housing property assets

Details of changes to the Group's fixed assets are shown in notes 12 and 13 to the financial statements.

### Political and charitable donations

The Group gave £94k charitable donations during the financial year (2020:£nil).

No political donations were made during the financial year (2020 £nil).

### Reserves

The level of reserves for the Group at the end of the financial year was £87.5m (2020 £84.6m). This is after the transfer of the surplus for the financial year of £2.9m (2020 £10.39m).

### Post balance sheet events

Connexus Housing Limited amalgamated with the other Group registered providers on the 1 April 2021, through a Transfer of Engagements to become Connexus Homes Limited as the final stage of the Corporate Restructure under the One Connexus programme.

### Payment of creditors

In line with government guidance, the Group's aim is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier.

### Board Members and Non-Executive Directors

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A summary of the board and committee membership is overleaf, with details of the Individual Board members in the following pages.

**Current Board Members - Ordinary Board Members**

John Barker – Chair (appointed September 2019)

John is an experienced non-executive director, chair and chief executive with wide experience in several successful housing associations. He has a strong personal commitment to the housing association sector, a clear appreciation of the strategic context in which HA's operate and recent experience at board level in high performing organisations including Sentinel, Bromford Group and First Wessex.

John was previously Chief Executive and a Board Member at Moat Homes from 1989 to 2008 and was one of the founder members of the South East England Regional Assembly and a Board and Committee member at the National Housing Federation. John's pedigree in social housing and governance is therefore strong.

Andrew Battrum (appointed September 2019)

Andrew was the Finance Director of Bromford Housing Group, for 13 years retiring in 2016. His experience at Bromford provides him with a good insight into the social housing sector and equips him with an understanding of the locality.

In addition to his Financial Management and treasury expertise, he brings strong analytical skills and an ability to move easily between the bigger picture and detailed thinking. He has experienced different ways of working at Bromford, which has broadened his thinking both in terms of organisational and Board operations.

Nicola De Iongh (appointed November 2020)

Nicola serves as the Chair of Council at the University of Gloucestershire, a Trustee with Gloucestershire Counselling Service and Chair Designate for the Premier Miton Ethical Investment Fund reference committee.

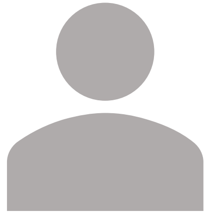
In her executive life, Nicola has a track record of delivering transformation and defining future vision, with a wealth of experience in management consulting and change management.

Simon Ewins (appointed November 2020)

Simon's current role as Managing Director of Hotels & Restaurants at Whitbread Plc includes operational responsibilities for over £2bn annual turnover.

Simon's many business strengths include a proven ability to lead the management of organisational growth ambitions. His life experiences, combined with family ties to Shropshire and Herefordshire, have given Simon a real passion for joining us on the Connexus journey.

Simon Gibbs (appointed September 2019)



Simon has Board experience of both public and private companies across sectors including Property, Retail, and Media. He has executive experience over 25 years as a CEO/MD. He is a Chartered Accountant with investment banking experience and has specialist knowledge in both Treasury Management and Property Development, most recently through his role at Curo.

Simon has commercial expertise to drive growth within a housing building context. He has experience, understanding and an appreciation of the social housing sector bringing something different given his blended professional profile.

Maggie Punyer (appointed September 2019)

As a lead director with Ocean Media, Maggie has a good grasp of the key issues affecting the sector and practical experience of embracing the opportunities/challenges currently facing RP's. She has gained this insight through many governance roles, notably in her current capacity as a NED on the Board of Accent. With a good appreciation of regulation, risk, culture and governance control, Maggie also has a commercial background providing the strategic leadership needed at a governance level by Connexus.

Maggie's track record of delivery is supplemented by the softer skills she brings around team development, Board growth and building consensus to take business led decisions that are integral to the achievement of corporate goals.

Comfortable in stakeholder management and effective in network building, Maggie acknowledges the importance of the external dimension of the role. She cares deeply about the provision of good quality social and affordable housing, and strongly believes in the voice of the customers and tenants informing organisational activity.

Abigail Reilly
(appointed September 2019)

Abigail comes from a military background and has fifteen years' experience at senior management level within Social Housing. This includes three years as Executive Director responsible for a wide portfolio including Organisational Development, HR, Governance, ICT, Communications, Project Management, Facilities, Fleet Management and Corporate Strategy, Performance and Planning.

From September 2019 Abigail returned to full time study to complete an MSC in Occupational Psychology as part of her ongoing professional development as an OD/business change specialist.
Abigail's appointment to the Connexus Board is her first NED appointment. She has however, been heavily involved in governance reviews which has formed a key focus of her executive director accountabilities. Her experience in this area includes being part of an in-depth regulatory assessment (IDA) process. Abigail offers relevant technical expertise, a sound insight into governance issues and the potential to operate effectively in a NED capacity.

Paul Smith
(appointed December 2018)

Paul is the Cabinet Member for Housing at Bristol City Council and a member of the Advisory Panel for the Housing Ombudsman.

Paul has also served as the Chief Executive of two national charities, the Furniture Re-use Network and Housing Potential (the skills agency for housing).

Andrew Taylor
(appointed September 2019)

Andrew operates as an independent consultant primarily specialising in the social housing sector, but with some commissions also in the health sector.

He is a qualified member and fellow of CIPFA and has significant experience in all areas of Risk, corporate governance, and stakeholder management. This is through previous NED positions where he chaired Boards and Committees at both Salvation Army Housing Association and Hendon Christian Association. Andrew has experience in compliance controls, IDA preparation and key issues of relevance from a regulatory point of view for an Audit and Risk Committee.

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| Richard Woolley (appointed April 2019) | Richard has over 20 years' experience in the housing sector, gained with both Large-Scale Voluntary Transfers (LSVTs) and traditional housing associations. Having been Director of Resources for Herefordshire Housing and then Connexus Housing, Richard was appointed as Chief Executive and to the Board in April 2019. |

Co-optees to the Group's Committees

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|---|---|
| Nick Garner<br>Co-optee Member to Audit and Risk Committee<br>(appointed April 2019) | Nick joined as a co-optee Member of Connexus' Audit and risk Committee and is a highly committed, computer literate accountant with more than 20 years' experience, specialising in social housing finance. |
| Paul O'Driscoll<br>Co-optee to Enterprise and Development Committee<br>(appointed March 2017) | Paul has 35 years in the housebuilding and maintenance industry, the majority of which has been involved in affordable and social housing sectors, in partnership with housing associations, local authorities and ALMOs. In his current role as a consultant since 2016 he has undertaken a range of development and investment related projects with clients as well as supporting the Central Housing Consortium's Buildsmart, new build and OSM Framework.<br><br>Paul previously worked at Wates Living Space and Wilmott Dixon as Business Development Director. He has also carried out a range of NED roles including currently at Walsall Housing Group and social enterprise Jericho Construction. |
| Imran Patel<br>Co-optee to;<br><br>Customer Services & Enterprise and Development Committees<br>(appointed November 2020) | Imran is a senior Commercial and Operations Leader with extensive experience driving results in large scale leadership roles in the telecommunications sector.<br><br>Imran joined Connexus in November 2020 as a co-optee to two of the Group's Committees. |

Retired Ordinary Board Members in the year

John Cross (appointed December 2018, retired September 2020

David Lincoln (appointed July 2017, retired September 2020)

Allison Taylor (appointed July 2017, retired September 2020)

The Group has insurance policies that indemnify both its Board

Members and Executive Directors against liability when acting for the Companies. Except for the Chief Executive, Richard Woolley, and Director of Resources, Andrew Cooke, Executive Directors are not Board Members and act as executives within the authority delegated by the Board.

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## Stakeholders

The strength of the Group lies in the quality and commitment of its employees. The Group's ability to meet its objectives and commitments to customers in an efficient and effective manner depends on the contribution of employees throughout the financial year. Consultation and communication with all employees takes place through regular briefings, team meetings and union representation.

The Group is committed to eliminating discrimination and harassment and promoting equality and diversity. Connexus Housing Limited actively encourages customer involvement by promoting various mechanisms. These include supporting resident groups, a customer involvement panel with direct access to the Group Board, and independent surveys through 'Voluntas'. These all help for customers to play an active role in shaping the future provision of services.

The Group's commitment is not purely to its customers, but also to the wider community. The Group supports the Discovery Centre in Craven Arms, the Mayfair Centre in Church Stretton and the Newton Farm Information Centre, a Hereford charity providing a wide range of advice either directly, by signposting or by providing space for other agencies on a surgery basis. This includes regular visits by the Citizens Advice Bureau and an access point for the local Credit Union.

The Group directly allocated 23 grants to support initiatives across Shropshire and Herefordshire, investing £61,580 into the local community and community groups and continues to play a key role in supporting the wider community and its stakeholders through its support services.

## NHF Code of Governance

The Board has adopted the National Housing Federation's Code of Governance (2015), and Code of Conduct (2012). There are no known instances of non-compliance with the NHF Code. On an annual basis, Connexus completes the NHF Checklist which offers the Board Assurance on how the Organisations is complying with the Code.

The Board has formally assessed its compliance against the Code of Governance and confirms that the Organisation is compliant.

The Board has assessed compliance with the Governance and Financial Viability Standards and confirms that the Organisation complies.

## Members of the Company

As of 31 March 2021 there were 10 shareholders, each holding a £1.00 share all of which are independent in accordance with the Company's Rules. Members have voting rights at Annual and Special General Meetings. Members of the Company are eligible to be elected to sit on the Board and Committees. The detailed arrangements regarding membership are set out in the Rules of the Association.

### Health and safety

The Board is aware of its responsibilities on matters relating to health and safety and the Group has detailed health and safety policies. The Group complies with the Health and Safety at Work Act 1974 and other relevant legislation.

### Public Benefit

In setting the Group's aims and objectives, the Board has given careful consideration to the Charity Commission's general guidance on public benefit. The Board confirms that the Company complies with the public benefit criteria by:

- The provision of social housing, accommodation and related services for people in need
- Ensuring that rents are charged within the parameters of the Group's rent plan, in accordance with the RSH's rent standard and guidance.
- Ensuring that housing is let on the basis of need
- Valuing diversity through the Group's Equality, Diversity and Inclusion policy.

Details of the Group's performance in achieving this in the year to 31 March 2021 are included in the Strategic Report.

## Internal Control Assurance Statement

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

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss. In meeting its responsibilities, the Group Board has approved an effective framework to identify and manage the significant risks to the Group's operations. This risk-based approach to establishing and maintaining internal controls is embedded within day-to-day management and governance processes. The approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed and is consistent with best practice.

### Annual Review of the effectiveness of the System of Internal Control

The Group Board delegates responsibility for the annual review of the effectiveness of the system of internal control to the Audit & Risk Committee. The Audit & Risk Committee take account of any changes needed to maintain the effectiveness of the management and control process for risk and fraud. Audit & Risk Committee met five times during the course of the year. Assurance over the control environment was obtained from the following main sources:

### Risk Management

An effective risk management framework sits at the core of the system of internal control. The Group Board confirms that the process for identifying, evaluating and managing the significant risks faced by the organisation is ongoing, the process has been in place throughout the year and up to the date of approval of the annual report and accounts and is regularly reviewed by the Group Board. The Group Board during the financial year set their risk appetite, setting out the Group Board's attitude to risk in the achievement of its objectives.

The Audit & Risk Committee approves at each meeting the contents and scoring of the risk register on behalf of the Group Board who maintain direction and oversight as part of good governance. The Executive and other members of the Senior Management Team regularly consider reports on risks and the Group Chief Executive is responsible for reporting to the Group Board any significant changes affecting key risks.

**Internal Audit Service**

The prime responsibility of the internal audit service is to provide the Group Board with assurance on the adequacy and effectiveness of the internal control system, including risk management and governance. Internal audit also plays a valuable role in helping management to improve systems of internal control and so to reduce the potential effects of any significant risks faced. Internal Audit is delivered by Beever and Struthers with additional audit work being carried out by external sources to provide a 3rd line of assurance. The Internal Auditors has direct access to the Audit & Risk Committee including one in-camera meeting without management present.

The Audit & Risk Committee reviews the findings arising from all Internal Audit Reports and is provided with progress reports on the implementation of all agreed recommendations for improvement to the point of conclusion.

The Internal Auditors provides an annual report and overall assurance opinion on the system of internal control based on the Internal Audit work performed during the year and management response to that work. The 2020-21 Internal Auditor Opinion and Annual Report identified no material concerns.

**Fraud Management**

There is an established code for Integrity & Bribery and Connexus Group operates a zero-tolerance approach to any instances of fraud or corruption. There is an anti-fraud, bribery and corruption policy and fraud response policy, along with a Money Laundering policy and Whistleblowing policy. These policies are reviewed regularly. An electronic fraud register is maintained by the Company Secretary in addition to a hospitality register which is a register that identifies any gifts that may have been received. There were no material issues identified during the year. The Group has appropriate insurance cover in place to mitigate the potential financial losses associated with fraud.

**Information and Financial Reporting Systems**

Financial reporting procedures include a long-term financial plan, detailed annual budgets, detailed treasury reports, value for money reporting and regular management accounts which are reviewed by the Group Board.

Any issues raised in the external audit management letter issued at conclusion of the annual audit are dealt with to the satisfaction of both the external auditors and the Audit & Risk Committee with progress tracked to the point of conclusion.

Key performance indicators and business objectives set as part of the performance management framework are regularly reviewed by the Group Board to assess progress and outcomes against the Corporate and Business Plan.

**Executive Management Team and Senior Management Team**

Each employee who has financial or devolved budgetary responsibility is provided with a copy of the Standing Orders and Financial Regulations (SOFR) and provided appropriate training. Colleagues shall be responsible for the accountability and control of all resources including plant, buildings, materials, cash and stores relating to their areas of responsibility.

The Audit & Risk Committee shall be responsible for making recommendations to the Group Board on new SOFR and amendments to existing ones, as it considers necessary for the supervision and control of the finances, accounts, income, expenditure and assets of the Group.

**Control Environment and Procedures**

Governance arrangements are subject to continuing review and development to ensure they remain fit for purpose. Board and sub-Committee membership is reviewed annually in line with the membership policy terms. Compliance with the chosen code of governance and the Regulatory Framework is reviewed annually.

The Board retains responsibility for a defined range of issues covering strategic, operational, financial, and compliance matters and new investment projects. The Board disseminates its requirements to colleagues through a framework of policies and procedures.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group and for preventing, detecting, investigating and insuring against fraud. This process had been in place throughout the year under review, up to the date of the Annual report, and is regularly reviewed by the Board.

**Financial risk management**

Connexus is financed by a combination of retained reserves, long-term loan facilities and grants from the Government. The Group has a formal Treasury Management Policy that was approved by the Board in May 2020 along with the 30 Year Business plan which is aligned to the Boards risk appetite and Golden Rules.

This policy seeks to address funding and liquidity risk and ensure covenant compliance; it states which types of financial instrument can be authorised for use, covering both borrowings and investments. In addition, the policy identifies the maximum value of financial instruments and with whom they may be agreed. The purpose of this policy is to reduce the impact to Connexus of adverse movements in interest rates and fluctuations in income (especially sales).

## Going Concern Statement

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Group prepares a 30 year business plan which is updated and approved on an annual basis. The most recent business plan was approved in May 2021 by the Board. The Business plan considers the assessed principal risks set out in pages 46 to 51 and other matters discussed in connection with the Viability statement below. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure. As a result of Covid-19 the Group has undertaken a series of further scenario testing including severe but plausible downsides in the Perfect Storm worst case assessment.

The board, after reviewing the group and company budgets for 2021/22 and the group's medium term financial position as detailed in the 30-year business plan including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the group and company have adequate resources to continue in business for a period of 12 months from the date of approval of these financial statements (the going concern assessment period).

In order to reach this conclusion, the Board have considered:

- the property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of property sales, reductions in sales values and potential conversion of market sale to social homes;
- Maintenance costs – budget and business plan scenarios have been modelled to take account of cost increases and delays in maintenance expenditure, a compliance only programme and major works being phased into future years;
- Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential future reductions in rents;
- Increases to inflation, management costs and libor rates and the associated impacts on affordability;
- Liquidity – current available cash and unutilised loan facilities of £56.2m which gives significant headroom for committed spend and other forecast cash flows that arise;
- The group's ability to withstand other adverse scenarios such as higher interest rates and number of void properties.

The board believe the group and company has sufficient funding in place and expect the group to be in compliance with its debt covenants even in severe but plausible downside scenarios. Consequently, the Directors are confident that the Group and Association will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have continued to adopt the going concern basis in their preparation.

## Viability Statement

During the year the Group Board has assessed the viability of the Group in line with the business plan. This assessment has been made through the business planning process which takes account of both the Group's current position and its principal risks, which are detailed on pages 46 to 51.

The Group Board has determined that the period to 2025 is an appropriate period over which to provide its viability statement. While the Group Board believes that Connexus will be viable over a much longer period, this period has been chosen as it has a much greater degree of certainty.

Asset maintenance and compliance are key to the Groups continued success, key to this is the maintenance of a Group-wide assets and liabilities register and risk management processes that flow through to all of the Group's subsidiaries and operations.

The business planning process includes the Group's most recent targets, including the New Homes Strategy and Corporate plan, operational plans and a review of external factors. The operational plans provide long-term direction and are reviewed on at least an annual basis.

The base plan is externally tested through rigorous sensitivity analysis

and stress testing using a series of robust downside financial scenarios which result in a financial impact. The testing also identifies the principal risks that may adversely impact the Group which include operational, political, business, liquidity, Brexit, market and credit risk. The results of the testing ensure potential mitigating actions are appropriately developed.
Due to the inherent uncertainty involved in all business planning, it is not possible for the review to consider every risk that the Group may face.

However, the Group Board considers that the stress testing performed includes all major risks and therefore provides strong assurance of the Group's financial viability. These risks include the expected impact of welfare reform on our tenant's ability to pay their rent, further reductions in social rents, remaining uncertainties around Brexit on trade and labour markets and the impact of Covid-19.

External assurance of the Group's viability is demonstrated by the Group's credit ratings (Moody's: A3) while the Group has strong liquidity in place with an increased and extended £55m RCF facility agreed during the year and is able to refinance any debt due over the period. The Group Board has therefore concluded, based on the extent of the business planning process and strong financial position, that there is a reasonable expectation the Group and the Association have adequate resources and will continue to operate and meet their liabilities as they fall due over the period of their assessment.

The Group Board can also confirm that it has complied with the Governance and Financial Viability Standard set out by the RSH. During the year, the RSH gave Connexus Housing ratings for Governance and Viability of G2 and V2 respectively. The Embedding Excellence programme has made strong progress in 2020-21 and we continue to work with the Regulator of Social housing as we strive to be a G1, V1 rated organisation.

**Annual General Meeting**
The annual general meeting will be held on 14 September 2021 at the Mercure Albrighton Hall Hotel, Shrewsbury.

**Independent Auditor**
KPMG LLP were appointed by the Group Board in November 2017. The external audit contract is due for retender this year having been extended for 1 year due to the pandemic and for this reason no resolution to reappoint KPMG LLP, as independent auditor, will be put to the members at the annual general meeting due to a competitive tender taking place.

The report of the Board was approved by the Group Board on 3 August 2021 and signed on its behalf by:

**John Barker**
Chair
3 August 2021

# Strategic Report

**Who are we? Connexus was formed in 2017 following the merger of South Shropshire and Herefordshire Housing Groups.**

During the financial year we were operating to our Corporate Plan 2020-23 that was approved by Board at the start of the year following consultation with tenants, staff and other stakeholders.

We developed this plan prior to the Covid-19 crisis and once it became apparent that this would not be resolved overnight, our Board agreed that despite the current situation our broad direction and focus outlined in the plan would remain, so the plan was published but with a commitment to conduct a wider review once the Covid-19 crisis was over and the situation became clearer.

## Connexus is a community focused rural housing group with over 10,500 homes across Shropshire and Herefordshire.

**Our Focus** is excellent service delivery and the provision of high-quality affordable housing to the counties of Herefordshire and Shropshire through development of new affordable homes, maintenance and improvement of our existing homes and the development of associated services to enhance the lives of our customers and communities.

**Our Plan** This is the second corporate plan following the merger between Shropshire and Herefordshire Housing Groups in July 2017. Our previous plan focused on delivery of the merger between these two organisations. Our new plan targets progress for Connexus customers and communities as our primary objective.

But our plan is so much more than that – we want to grow Connexus, not just to provide new homes, but to place greater emphasis on the issues that matter most to our customers – regeneration of existing homes, reduction of fuel poverty, improving services and responding effectively to external factors – climate change, environmental standards and government policy. Our people are passionate about the services we provide, and we will invest in them and empower them to provide a great service to all of our customers.

At the end of 2023, Connexus will be firmly established as the rural housing provider of quality affordable homes in Shropshire and Herefordshire, with a skilled and motivated workforce delivering high quality services working in partnership with our local authorities.

Connexus is ambitious and wants to deliver more for Herefordshire and Shropshire but our overriding priority is looking after our existing tenants and improvements to our homes.

## Our Priorities are focussed around five strategies.

**Customer focus-** Customers are at the heart of the business and their safety is our top priority.

**Our People-** Our culture is to be open, to listen, to empower and to encourage. We will be honest and clear in our communications, involving people in decision making and encouraging innovation.

**One Connexus-** We are committed to a single level of service delivery and culture across our two counties, unless local circumstances dictate otherwise. We will develop the Connexus brand and raise awareness to make us recognised for quality, community and rural based housing.

**Commitment to our Communities-** We are more than just providers of housing and are committed to a wider role in the development of housing and other related services in our communities. We will work with our strategic partners (including local authorities) across the two counties to make our communities more sustainable and better places to live and work.

**Well governed, resilient and financially sound-** We recognise that regulatory and other compliance requirements are fundamental to the success of Connexus. We will ensure compliance by having clear measures, clarity of purpose, and clarity around the services we provide. To enable us to deliver our objectives we will have a robust business plan with a clear risk based approach to delivery.

## Our Values

**Passionate** - We care deeply about our work and our customers and take pride in serving people and communities. This shows in our energy, enthusiasm and commitment to going the extra mile, and building for the future.

**Respectful** - We deal with people of all ages, all backgrounds, all needs and requirements and we treat everyone fairly, considerately and as individuals.

**Involving** - We develop services for people, making sure we listen to what they need and involve them all the way. We learn from our experiences and always look to grow and develop together.

**Determined** - When we start something, we see it through. We are decisive, focused, and tenacious and work around challenges to find the best outcome.

**Effective** - We aim to get it right first time and to do the simple things well, because that sets the standard and everything else follows. We deliver.

## Headline Results
Connexus Group

**Turnover**
2020- £64.6m
2021- £69.5m

**Surplus before tax**
2020-£9.03m*
2021-£7.80m

**Operating Surplus**
2020- £18.1m
2021- £18.3m

**Operating Margin**
2020- 28.0%
2021- 29.7%

**Letting Margin**
2020- 25.0%
2021- 25.8%

**Gearing**
2020- 72.4%
2021- 64.0%

***2021 Surplus before tax includes:**
**£1.44m of Finance Breakage costs and £0.5m of Restructure costs**

## Headline Performance
Connexus Group

New Homes Built
**189**

Compliance
Compliant Properties with valid gas safety certificate
**99.99%**

Social Housing Cost per Unit
**£3,158**

Overall Satisfaction with Services
**81.52%**

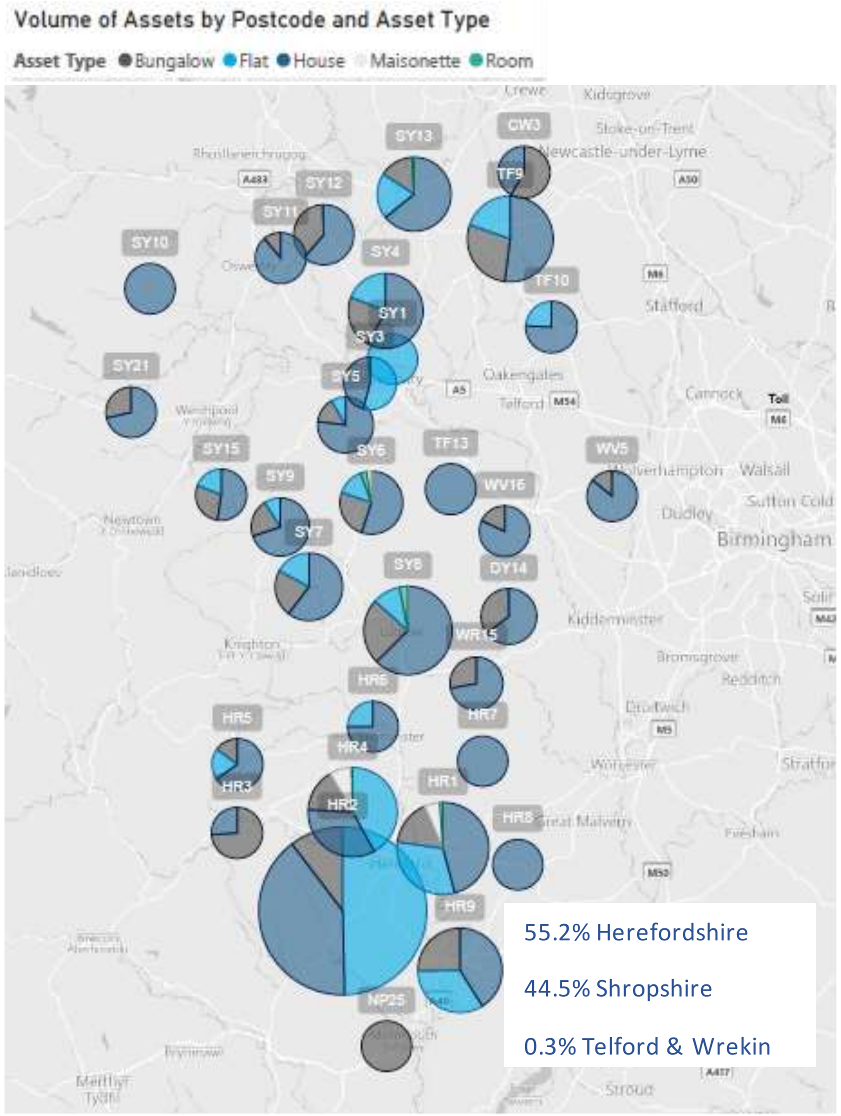
Liquidity & Available Security **£250m**

Repairs Appointments Kept **99.86%**
Satisfaction with last Repair **89.63%**

Regulator Rating
**G2 / V2**

Credit Rating
**Moody's - A3 Stable**

## Our Homes and Where we Operate




| | | |
|---|---|---|
| **We own and manage** | **3,255- Flats** | **147- Maisonettes** |
| **2,040- Bungalows** | **68- Rooms** | **5,348- Houses** |

## Our Achievements for 2020-21

## Customer Focus

### Customer Services

To deliver a modern consistent and effective service to our customers, enabling colleagues to give a first point of contact resolution and providing customers with a wider choice in how they access our services and an improved overall experience.

It has been a challenging year because of Covid and the ever-changing landscape around the services that could be delivered in a safe way. During the year we handled 87,640 calls from our customers with satisfaction with the way calls were handled improving from 88.86% in 2019/20 to 89.71% for 2020/21. Overall satisfaction also increased in the year from 57% in 2019/20 to 81.52% following the results of our Anniversary Survey.

We contacted all our customers at the start of the pandemic to see if we could support them in any way. We have a proactive approach to arrears management and continue to publicise our support for tenants having difficulty paying their rents. At the end of the year our rent arrears were 1.69% well below the sector average, allowing us to continue to invest in our communities.

Net satisfaction with neighbourhoods decreased marginally to 83.14% in the period which is a 0.4% decrease in the year. We have introduced a new neighbourhood policy in 2020/21 and continue to work hard to understand what the drivers for customer satisfaction are so that we take necessary actions.

We committed to listen and involve our customers in what we do and to scrutinise and influence the services we deliver. We carried out 5 online consultations in the year, engaging with 77 customers. We also received 75 expressions of interest from customers who want to be involved in future scrutiny.

We have also made significant progress in our drive to reduce relet times to improve the availability of homes for new tenants and to reduce rent loss when properties become void. By Quarter 4 we had achieved the revised target of 35 days.

## Commitment to our Communities

### Support Services

We provide a range of support services in our local communities the table below shows some of the support provided in the year.

SUSTAIN Prevention Support, Independent Living, Shropshire Domestic Abuse Service, Younger Persons Services, Fall Responder/Falls Navigator

| | |
|---|---|
| Referrals Received | **1,769** |
| Number of Connexus Tenants Receiving Support | **1,015** |
| Connexus Independent Living Scheme Residents | **769** |
| Support Interactions (Contact with Clients, Agencies and Families) | **Over 48,000** |
| Number of Individuals Receiving Support | **1,956** |
| Daily Wellbeing Calls made to Independent Living Scheme Residents | **Over 51,000** |
| Phone Calls to Connexus Covid19 Support Hotline | **1,777** |

## Development

During the year we delivered 189 new homes across Connexus against the 143-home target. £3.785m of grant funding was claimed from Homes England to partially fund properties at the following schemes:

Bath Street, Hereford (phase 1)

Bishops Castle

Burghill

Condover

Roman Downs, Craven Arms

Ford

Highmore Road, Hereford

Tudor Close, Market Drayton

Whitestone Chapel

The 189 properties included a range of tenures to meet the needs of local communities including affordable rent, private rent and 48 shared ownership homes.

Many of the houses have now been occupied providing quality affordable homes for the residents of Herefordshire & Shropshire.

The number of Shared Ownership Sales completed in what was a challenging year was 29 against a target of 40. The target audience for this tenure type being heavily affected by furlough and the most likely group to be at risk of redundancy. For this reason, mortgages for Shared Ownership properties became more difficult to obtain and along with other types of mortgage, applications took longer to be processed.

Additionally, in the year we completed 31 Open Market properties at Radbrook Village in Shrewsbury. Following the onset of Covid we revised our Business plan sales expectations to 15 sales. However, whilst the year was challenging, we achieved 32 sales totalling £13.1m. The lock-down created pent-up demand, and the stamp duty holiday further fuelled sales. The revenue from open market sales creates profit which is used to develop new affordable units. This reduces the need for Connexus to borrow and therefore delivers substantial savings against interest costs in the long term.

## Place Shaping

As part of the place shaping strategy for the group during the year, the ERDF funded Warmer Homes project commenced procurement. This is an exciting and innovative project to apply Passivhaus principles to improve insulation and heating systems with the aim of helping to tackle fuel poverty for some of our properties with poor energy efficiency in the Hereford City and Ludlow areas.

We have appointed Michael Dysons Associates to work alongside us to deliver both the energy efficiency scheme in Hereford and Ludlow and to agree our Warmer Homes Offer so that we meet our energy efficiency targets. We are currently discussing with Dysons our heating options once this is agreed we will then start to roll this out across our homes as required, beginning with those in Ludlow.

Following a procurement exercise, we have also appointed Sustainable Building Services to deliver the energy works in Hereford and this work will commence in Summer 2021. Typically, these flats in Hereford will receive 200mm of external wall insulation, new triple glazed windows and roof loft insulation. The aim of this is to reduce fuel bills for customers, reduce $CO_2$ emissions and reduce the potential for condensation to be created within each of the flats.

The potential benefits and learning we hope Warmer Homes will deliver will far outreach the project life itself, as this will provide the start of a blueprint for how to 'retrofit' energy efficiency measures to existing homes as we plan how to reach the Net Zero Emissions by 2050.

### Investment and Safety

Resident safety has continued to be our highest priority and has been a real focus during the year.

Landlord Health & Safety Compliance:

This year we have increased our internal and external auditing in this area for assurance that we continue to deliver a fully compliant service. We now have a quarterly auditing process in place, which is helping us to strengthen and develop this service area. One of the auditors is Pennington Choices, well known in the sector for providing guidance in this area. We are working closely with them to deliver our vision of being a sector leading organisation.

Milestones for the year include a complete data cleanse of all compliance areas to provide assurance on data quality. As part of the One Connexus objectives all data has been transferred onto one system which is now the primary source for Compliance reporting. We have improved visibility of our Compliance position across the organisation by introducing a Compliance dashboard.

Connexus is keeping abreast of potential industry changes as a result of the Grenfell Tower disaster. We have increased our own safety measures by rolling out 6 monthly fire door inspections on all of our flats and leasehold properties. In the next 12 months we aim to visit all of our properties not typically visited under servicing regimes, to inspect all electrical heating and negate the risks of customers installing their own equipment.

Corporate Health & Safety Compliance:

We take Health and Safety very seriously and our entire Senior Management Team has undertaken IOSH Managing Safely training. We are also working in partnership with the British Safety Council to deliver further training for our entire Leadership Team. In addition to this we have refreshed our risk assessment matrix for all colleague activities to bring this in line with our Board's risk appetite and will be embedding this approach across the organisation over the next six months.

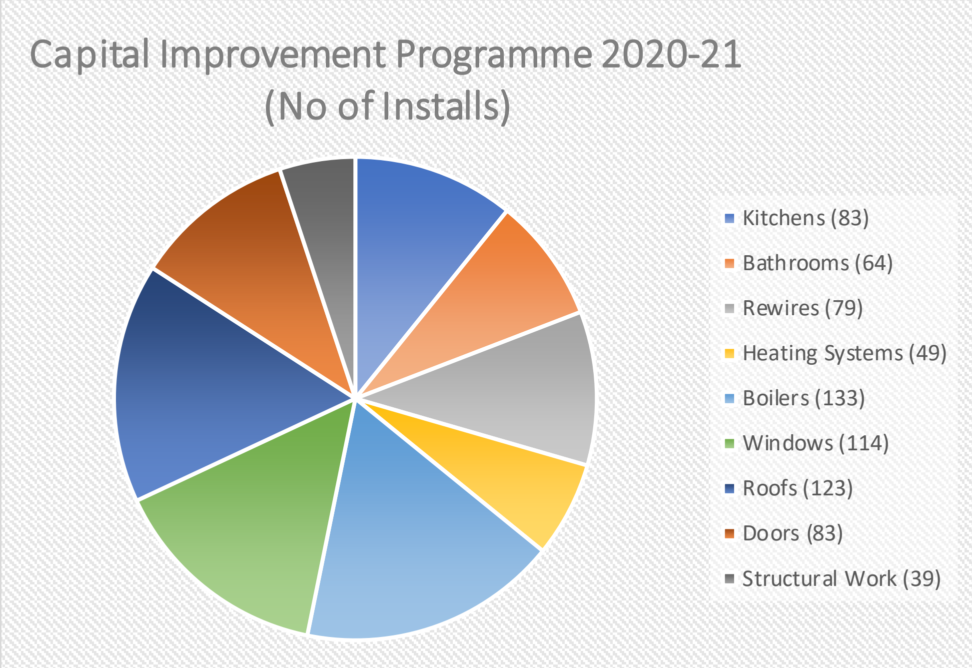
During this year, all managers have undertaken H&S training, with a focus on visible leadership. Connexus have also rolled out a large scale lone working system, through signing up to Solo Protect. 320 employees who are lone working have been issued with a Solo Protect device, to allow enhanced monitoring of lone workers. We are working on a people safety matrix, to ensure that all policies and training are up to date.

Environmentally, we have created a vision for Connexus, and are currently compiling our baseline position for a number of KPI's to enable us to monitor future performance improvements. We have also completed a Connexus waste audit and in the coming year will set actions to ensure continued compliance.

Investment in our Homes:

Our Asset Investment activity slowed during the Covid-19 lock down period due to the restrictions in place, but we still invested £5.2m in planned improvements, these are shown in the chart below. Our Asset Management and New homes Strategies set out clear direction for investment, refurbishment, regeneration and disposals.

We are now fully operational with many customers again happy to allow us into their homes.




We have been rolling out an intensive stock condition survey process to enable us to fully articulate our journey to Carbon Neutral, by 2050, over the next twelve months.

The European Regional Development Fund (ERDF) grant funding secured to deliver our Warmer Homes Project, which includes external wall insulation and heating solutions will improve our rural off gas homes.

## One Connexus

'One Connexus' is our corporate programme to complete the merger of the Group and embed our Connexus way of working. It seeks to build the Connexus brand more effectively. In the year we implemented a new Housing System across the whole of Connexus. There are plans in place to expand its functionality and interface with other core systems. In the long term this will make things easier for our teams, improve the Customer experience and aim to increase levels of Customer satisfaction.

As part of the One Connexus programme, we have continued our rebranding and simplification journey. At the beginning of the year our 3 Registered providers were renamed Connexus Housing One, Two and Three Limited ahead of planned rationalisation to 1 registered provider in 2021/22.

Independence Trust exited the group during the year by means of a transfer of control and Enterprise 4 Limited & Floreat Development Living are now dormant ahead of the winding up of these entities. Rise Partnership Developments has taken over the development activity for the group. Connexus Enterprise is currently being prepared to become dormant due to the minimal commercial activity being undertaken by the group, linked to the Corporate plan.

We had also planned to commence work on our Head Office during 2020/21, whilst work has begun the Covid pandemic has led us to rethink how we will work in the long-term, now new ways of working have been tested. Work will continue in 2021/22 as we assess the long-term impacts of our hybrid way of working once colleagues can return to our offices.

## Our People

As with many other Organisations in the UK because of Covid-19 we had to make the shift to the majority of previously office based colleagues working from home. As a result of the attitude and resourcefulness of our people this was a huge success. In a very short period of time, we successfully deployed equipment to all colleagues who required it and trained them how to use the latest technology. This in turn speeded up our progress against our Corporate plan objective to make our workforce more agile and in the longer term will support our work-life balance objectives.

We identified Covid safe methods of working for customer facing colleagues, so we could continue to operate services in line with Government guidance, as it evolved.

We are committed to developing Connexus colleagues and 'growing our own', our apprenticeship and leadership development programmes are discussed in more detail later in this report.

## Well Governed, resilient and financially sound

### Financial Strength and Resilience

We are in a strong financial position and our operating performance taking into account non-recurrent business expenditure has seen our performance in line with the base plan. The surplus for the year was £7.379m, compared to a budget of £9.528m. With an operating margin of 26% in the year.

**Covenant Compliance**

All covenants were compliant throughout 2020/21 with significant headroom available.

Connexus covenants are based primarily on interest cover and gearing ratios. Covenant ratios are monitored monthly and reported to Board on a quarterly basis.

**Liquidity Risk**

Minimum Cash-holding £5m

Period of Financing

41 Mths*

We monitor cashflows on a daily basis. We also carry out quarterly Budget Reforecasts and Annual 30-year Business planning to ensure that we have sufficient funding in place and operate within our Golden Rules.

**Counterparty Risk**

We invest with approved banks and counterparties with a minimum rating of A1

Our Treasury Management policy sets out the maximum investment exposure with each banking institution. We monitor and report on our Counterparties rating on a Quarterly basis.

*Regulatory requirement 18 months

Operational cashflows are managed in line with the Treasury Management Policy through use of a revolving £55m facility. We are resilient to future financial pressures with unencumbered assets of £120m (EUV-SH) and substantial over securitisation in our charged assets giving a further £74m of headroom, based on the last full external valuation by Savills carried out as at 31 March 2020.

## Improving Governance

Connexus is currently rated as a G2 V2 organisation. We aspire to be G1 V1 in 2021/22, by continuing to embed the Governance and monitoring advances made in the last 12 months and by making further improvements.

Our Embedding Excellence action plan was completed during the year and we have a clear risk-based approach to delivery aligned to our risk appetite. Our Board and Executive team have been working hard throughout the year to embed our improved risk management framework throughout the organisation and to monitor performance against the Golden Rules we have agreed with board and which underpin all our activities.

We have increased mandatory training in the year to include the following areas: GDPR, Anti-Bribery and Corruption, Whistleblowing, Cyber Security, Safeguarding, Confidentiality and Professional Boundaries with training course on Procurement, Lone Working and Anti Money laundering for relevant colleagues. With the intention to operate to best practice and train colleagues to the highest standards.

Our overall objective is to attain G1 V1 grading by working with the Regulator of Social Housing to ensure continued compliance with Governance and Financial Viability standards.

## Value for Money

As part of the priorities set out at merger a target of £2m of recurring savings was set to be delivered by 2021. Our actual results were £50k short of the £2m total as result of Covid impacting our operating environment, Covid also affected some of the additional efficiency savings we had identified in relation to our office rationalisation. However significant one off savings were made in the year as a result of new ways of working particularly in relation to travel and energy costs but are not included in the efficiency savings totals as they are non-recurrent.

The increased merger costs related to the Transfer of Engagements (ToE), these costs mainly consisted of external support in-order to complete on the Corporate Restructure, however the cumulative costs remain £270k lower than originally forecast.

In the year £1.4m of financial breakage costs were incurred, however these costs relate to early recognition of expenditure, not additional costs and are excluded from this summary.

The table below shows our progress to date along with the targets for the next two financial years approved by Group Board as part of the Budgeting and Business Planning processes.

| Merger Plan - Business Case | Yr 1-3 2016 to 2020 Forecast £'000 | Yr 1-3 2017 to 2020 Actual £'000 | 2020/21 Forecast £'000 | 2020/21 Actual £'000 | 2021/22 Forecast £'000 | 2021/22 ReForecast £'000 | 2022/23 Forecast £'000 |
|---|---|---|---|---|---|---|---|
| New Merger Efficiencies | 3,474 | 2,877 | 656 | 1,949 | 82 | 82 | 154 |
| Efficiencies Achieved | - | - | 1,884 | 0 | 2,540 | 1,949 | 2,242 |
| Slippage Value | - | - | 0 | 0 | 0 | 211 | 380 |
| **Gross Efficiencies** | **3,474** | **2,877** | **2,540** | **1,949** | **2,622** | **2,242** | **2,776** |
| | | | | | | | |
| Merger Costs | -1,651 | -993 | -118 | -506 | -18 | -18 | - |
| **Net Efficiency savings (extra cost -)** | **-** | - | **2,422** | **1,443** | **2,604** | **2,224** | **2,776** |
| Cumulative Efficiency Total Since Merger | **1,823** | **1,884** | **4,245** | **3,327** | **6,849** | **5,551** | **8,327** |

* Forecast Saving reflect the timing of saving delivery published at the time of the merger for the period 2017/18 to 2021/22

The budget for 2021/22 identified £877k of efficiency savings, those in excess of the original target were reinvested to fund Service Change and to drive future organisational efficiency.

A further £154k of efficiencies were identified as part of the Business Planning process for 2022/23.

## Other Achievements in 2020/21

### Cyber Security

In 2020/21 we successfully achieved Cyber Essentials plus which protects Connexus against the most common cyber threats reducing the risk by over 80%, protecting our data, and demonstrating our commitment to Cyber Security to our customers.

### Wellbeing

We are aware of the importance of how our people feel and the difference this makes to the way we respond and behave. We have taken positive steps during the year to promote wellbeing.

Over the pandemic period we have tried to focus on the wellbeing of our Connexus colleagues as they have tried to balance working life alongside the pressures the pandemic has brought, around new ways of working, childcare, social isolation, worries about the safety of our loved ones, and unexpected financial pressures.

We have formed a Connexus Wellbeing group who have shared tips and ideas with colleagues over the last 12 months about things they can do to improve their own wellbeing, and many colleagues have become involved in sharing their own stories and experiences to broaden awareness and bring mental health discussions into the open.

A proactive approach has been taken to wellbeing and we have trained 5 Mental Health First Aiders during the year, to support people if they have concerns about their mental health or emotional wellbeing, whether these concerns relate to their home or work life. We have also subscribed for all colleagues to access online Yoga classes to encourage some of the self-help methods.

Our Leadership Group have also been trained in mental health awareness so that they can identify signs indicating that people may need support.

## The next two years at Connexus?

### Corporate plan 2020-23

We are in year two of our corporate plan, there is on-going work across Connexus to make sure we meet our Corporate goals below are the defined targets and objectives for the coming year.

We have over 25 core objectives in our Annual plan for 2021/22 to help us meet our overall objectives by 2023, these include:

- Increased digital availability through Tenant's Portal.
- Repairs Satisfaction 92% or above.
- Investment programme delivered in line with Business plan.
- 100% Landlord H&S Compliance consistently delivered.
- Satisfaction with neighbourhoods above 80%
- 250 new homes delivered in line with New Homes Strategy
- ICT systems that support One Connexus ways of working and the new office plans.
- Revised Repairs & Maintenance policy in place.
- Finances delivered withing Golden rules with Operating Margin in line with the approved Business plan.
- Compliance with updated NHF Code of Governance and G1 Status achieved.

## By 2023 we will have achieved the following outcomes:

1

### Customer Focus

| Objectives | 2023 outcomes |
|---|---|
| 1. A customer service approach that enables more support and resolution at the first point of contact. A service that embraces technology to respond to our customers via phone, social media, online and live-chat but does not exclude those who do not have access to technology. Core services digitally enabled and accessible 24 hours a day, seven days a week. | • Increase contact via digital means and issues resolved at first point of contact. |
| 2. A Customer Offer consistently delivered - do what we say when we say we are going to do it. A landlord that delivers efficiently. | • Increase in repairs satisfaction.<br>• Reduced re-let times combined with maintained or improved lettings satisfaction.<br>• Current tenant rent arrears maintained or improved. |
| 3. A landlord that listens, understands and develops services that matter to its customers including expanding involvement activities to strengthen the customer voice. | • Development of groups with common interest and involvement of all customers.<br>• A clear plan of communication and opportunity for feedback for tenants that includes a variety of communication and access options.<br>• Improved means by which the Board has a clear line of sight into the Customers' experience of Connexus. |
| 4. A clear and simpler approach to letting our homes, which creates sustainable tenancies with well-developed pre-tenancy checks and effective support interventions. | • Tenancy turnover maintained at current levels or reduced. |
| 5. A safe and secure environment for our customers - their homes and the communities that we serve. The right homes, in the right places, and affordable to live in. | • An updated evidence based asset management plan with a revised long-term financial forecast to deliver improvements to our homes to make them sustainable and energy efficient.<br>• Sheltered housing schemes that are popular with our client group and easy to let. |

2

### Our People

| Objectives | 2023 outcomes |
|---|---|
| 1. An approach to working practices that is based on the needs of our people and our customers. | • Introduce smart working principles for agile working to allow staff to work around their own personal circumstances to suit the needs of the customers and the business which are reactive to Government pandemic guidelines. |
| 2. A healthy and safe workforce with a good work-life balance. | • Implemented a robust health and safety culture following on from the review in 2020.<br>• A wellbeing strategy in place that recognises the importance of work life balance and the wellbeing of staff. |
| 3. A model of working that places Resources teams as enablers, supporting the delivery of services by going out to the work. | • An agile workforce able to deliver services under conditions dictated by pandemic restrictions. |
| 4. A focused learning and development programme, succession planning by "growing our own" and investment in apprenticeships. | • Developed apprenticeship and graduate employment programmes in conjunction with our partners to deliver opportunities for people in our homes and communities to work with us.<br>• A clear colleague journey that supports potential applicants from interest in Connexus to point of application through recruitment, to training, retention, development and career progression.<br>• Increased the number of vacancies filled by internal appointments.<br>• Enhance leadership capability across the business by developing a leadership programme. |
| 5. ICT systems that enable effective service delivery and management of processes without driving our way of working and behaviour. | |

3

## One Connexus

| Objectives | 2023 outcomes |
| --- | --- |
| 1. One approach for our teams to use across our geography that meets the needs of the customer, with full integration of our systems. | • Integration of core systems for housing, repairs, customer services, finance, HR, assets, development and health and safety so that services are consistent across the business. |
| 2. Aligned policies and procedures across Connexus. | • Services delivered as Connexus unless influenced by external factors. |
| 3. To embrace new systems, technologies and ways of working which drive efficiency whilst maintaining accessibility for our customers. | |
| 4. A simplified corporate and management structure that meets the needs of the business. | • One Head Office based in Craven Arms, South Shropshire with hubs in Hereford and Wem delivering services to our customers in the two counties and through agile working under conditions dictated by pandemic restrictions.<br>• A consolidated and simplified corporate structure that meets the needs of the business that is cost effective and efficient. |

4

## Well governed, resilient and financially sound

| Objectives | 2023 outcomes |
| --- | --- |
| 1. Strategic and operational risk registers will be maintained to ensure appropriate monitoring and use of stress testing. Risk mitigations will be timed, tested and costed. | • Financial measurement linked to golden rules. |
| 2. Our compliance will be 100% against all Regulatory Standards, Code of Governance and Health & Safety, moving Connexus back to G1. | • Achieved a governance rating with the Regulator of Social Housing of G1 and maintained it at that level.<br>• Confirmed compliance with all regulatory standards and published on our website on an annual basis. |
| 3. Our organisation will be efficient and financially resilient. | • Maintained or improved an operating margin on an annual basis. |
| 4. A clear understanding of the performance of Connexus with a focus on continuous improvement through performance dashboard scrutiny and an embedded cost improvement programme. | • A performance based culture managed through a series of dashboards reported to Boards and customers linking directly to Service Improvement plans and individual work plans for teams.<br>• Monitor performance against top quartile for our sector. Services benchmarked with other organisations. |

5

## Commitment to our Communities

| Objectives | 2023 outcomes |
| --- | --- |
| 1. A clear understanding of the stock that we own, developed from our stock condition surveys, informing our 10-year investment plan identifying where we will invest, regenerate or dispose. Delivery of our asset management strategy with a focus on estates, communities and portfolio decision making. | • Replaced stock sold through Right to Buy (RtB)/Right to Acquire (RtA) and disposals programme in the same county, estimated to be up to 40 homes per year.<br>• Identified homes that are not fit for purpose, sold and replaced on a one for one basis. |
| 2. A quality home vision that is defined and agreed with our stakeholders and is manageable within our financial constraints. | • Developed a roadmap for all homes to have a minimum energy performance rating of Band C by 2030 and carbon neutral by 2050. |
| 3. A new homes strategy delivered which ensures growth in our stock. | • Developed in our core areas of Shropshire and Herefordshire a minimum of 250 new homes per year (143 in 20/21 due to delays caused by Covid-19 crisis) achieving a growth target of 2.5% of existing homes over the lifetime of this plan, at least 50% of which will be for affordable rent.<br>• Delivered at least 50% of our new homes in defined rural areas and working with a range of stakeholders to make those communities more sustainable. |
| 4. A Housing and Support strategy delivered within our core geography of Herefordshire and Shropshire that includes expanding our Independent Living Schemes, our hubs and ensuring our communities are great places to live. | • Delivered social value to our tenants evidenced through the HACT model.<br>• Neighbourhood policy in place for July 2020.<br>• Neighbourhood development plans in place.<br>• Increase in satisfaction with Neighbourhood and number of Community Hubs dependent on conditions dictated by pandemic restrictions. |
| 5. Work with our partners and stakeholders to maximise local employment opportunities with a clear link to employment opportunities for our customers and delivery of social value. | • Increase in number of customers employed at Connexus.<br>• Maintained job club figures getting our customers into employment once pandemic restrictions have been lifted. |
| 6. To pilot a carbon neutral approach for both the refurbishment of existing homes and for our new build homes and responds to the carbon neutral targets set by government. | • Piloted a low cost and carbon neutral new-build approach clearly identifying social, economic and sustainability aspirations.<br>• Delivered our European Regional Development Fund (ERDF) allocation to significantly increase the energy efficiency of identified existing homes. |

Objectives for 2022-23 will be set in the coming year when there is more certainty about the operating environment.

**The full corporate plan is available on our website www.Connexus-group.co.uk**

## Financial Projections

| | | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Homes | | | | | |
| **Assets and Liabilities** | | £m | £m | £m | £m |
| | Homes | 10,367 | 10,457 | 10,659 | 10,906 |
| | Borrowing | 241.7 | 238.3 | 248.3 | 258.5 |
| | Reserves | 95.4 | 109.5 | 126.5 | 140.0 |
| **Income and costs** | | | | | |
| | Rents and Service charges | 49.9 | 51.8 | 54.2 | 56.9 |
| | Property Sales income | 1.2 | 2.4 | 2.3 | 1.5 |
| | Other income | 26.9 | 33.4 | 37.2 | 27.3 |
| | Operating costs | 69.0 | 73.5 | 76.8 | 72.2 |
| **Surplus** | | | | | |
| Key ratios | | | | | |
| - | Operating margin | 34.8% | 35.5% | 36.9% | 37.5% |
| - | EBITDA MRI/Interest | 232% | 179% | 172% | 202% |
| - | Debt per unit | £23,311 | £22,792 | £23,305 | £23,708 |

## Equality and Diversity.

Connexus is committed to creating and building an environment where all our people can grow, develop and achieve their potential. Recruiting, retaining and developing the right people sits at the top of our list of commitments as it helps ensure that we can deliver on our Corporate Plan and put our customers first.

At Connexus, there is no difference between the pay of men and women employed in the same or equivalent roles. We know this because in January 2020 we completed a review of our terms and conditions which included undertaking external benchmarking for all roles. As part of this review we use market supplements where it is relevant to do so and some roles which saw a reduction in salary are in receipt of pay protection in line with our policy framework.

Despite this when we look across our entire workforce, we see a difference between the average hourly pay of men and women. We know that the representation of women in our trade roles continues to be a challenge for us. We know this is a significant issue and that it will take a long time to rectify across all sectors; we don't underestimate the scale of the task.

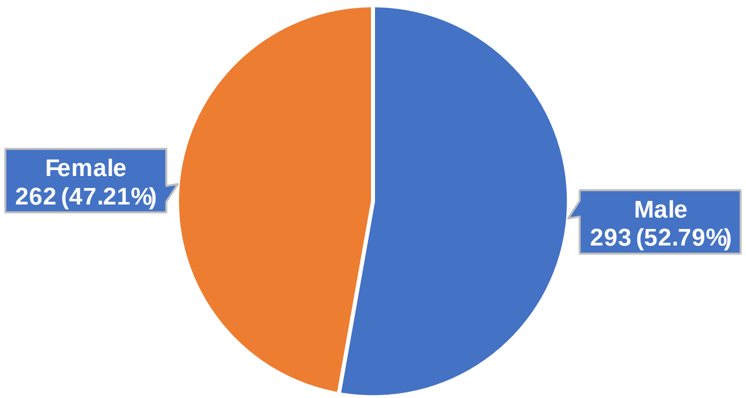
Our review of terms and conditions was a step towards pay equality, and whilst we recognise that it may take some time to see a significant change, we are committed to making this happen. As an organisation, we believe that the solution to improving our pay gap is wider than just focussing on the differences between the average pay of men and women. Our aspiration is that initiatives such as Smart Working, our People Strategy and other innovative programs can result in us being a more empowered, confident and agile organisation, in which we see greater diversity at all levels.

Every year we produce an annual report around our Gender Pay Gap and this is calculated between the average (mean or median) earnings of men and women across our workforce. This allows us to be transparent about gender pay differences and to take positive action. We support fair treatment and reward for all colleagues and recognises that the gender pay gap is different to equal pay.

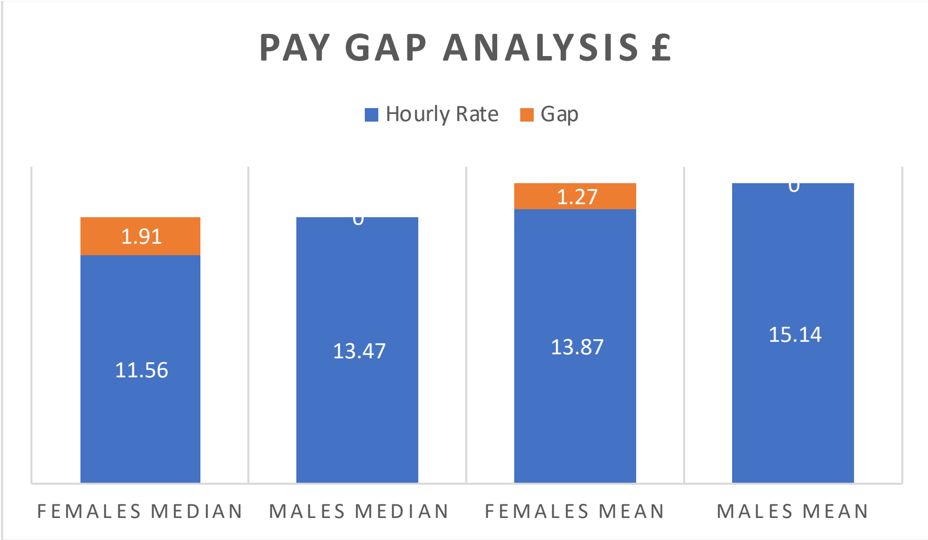
## Our findings 2021

Connexus employed 555 colleagues on 5th April 2020. This compares to 553 colleagues in the previous year. Of our 555 colleagues, 52.79% (293) were male and 47.21% (262) were female meaning Connexus employed 5.59% more men than women. This compares to a difference of 6.33% in April 2019, meaning our workforce has increased the number of female colleagues by 0.74%, but remains majority male.

**Figure 1:** Workforce Gender Ratio (as of 5th April, 2020)




| Gender | Colleagues | Percentage |
|---|---|---|
| Male | 293 | 52.79% |
| Female | 262 | 47.21% |




Males at Connexus are paid a mean difference of £1.27 more per hour than females. This is a percentage difference of 8.4% and is 3p more per hour difference than our previous year's reported gap (£1.24).

Our Mean Pay Gap as a percentage of pay has reduced for three consecutive years. This is a real positive outcome. The current year's gap of 8.4% compares to a larger gap of 9.1% in 2019 and 11.1% in 2018.

There have been mean increases in hourly pay for both genders compared to 2019. Males are paid £1.57 more than in the previous year (£15.14 in 2020 compared to £13.57 in 2019) and females are paid £1.54 more than in the previous year (£13.87 in 2020 compared to £12.33 in 2019) – again, a difference of 3p in pay increase between genders.

## Understanding our demographics and situation

In order to understand the data in more detail, it is important to understand the key functionality of Connexus and our demographics.
Connexus consists of a Board, committee members, a chief executive, directors and a range of colleagues with wide ranging professions and skill sets. We are a Housing Association based in rural Herefordshire and Shropshire who, up until September last year, provided wellbeing support services in Gloucestershire.

We have mixed central support teams, housing teams, wellbeing support, and a large number of trades/assets colleagues, the latter of which, even with proactive recruitment, are predominantly male.

Unemployment in our rural counties is at a year-on-year low, as is the case in many rural locations across Great Britain. However, we are still at a greater rate of overall employment than in the West Midlands and Great Britain generally. Connexus operates in demographic areas where there are limited numbers of people available for work aged between 16 and 64, and, as a result of Brexit, predictions are that some trade and construction skills sets will only become harder to recruit.

Connexus promotes flexible and part-time working options in many roles to recruit and retain the best talent.

The Connexus Way and being One Connexus post-merger transformation have driven change in the way we work; this is still evolving and will drive and deliver further flexible approaches and different ways of working to meet customer and business need whilst retaining and attracting a productive and agile workforce across Connexus.

In 2018 and 2019, review and consultation took place and effective 1st January 2020 the group launched revised terms and conditions for the workforce, which are demonstrated for the first time in this year's findings. This included the removal of a bonus scheme which operated for certain colleagues.

## The Future

We recognise the importance of having the right colleagues in the right roles with fair and equitable reward packages. We endeavour to reduce the gender pay gap and see greater diversity at all levels with;

**"As an organisation, we believe that the solution to improving our pay gap is wider than just focussing on the differences between the average pay of men and women. Our aspiration is that initiatives such as Smart Working, our People Strategy and other innovative programs can result in us being a more empowered, confident, and agile organisation, in which we see greater diversity, at all levels."**

Jo Tracey, Director of People, Connexus Homes Limited

• Committed regular reviews of pay on an annual basis and more widely every three years.

• Proactive recruitment – engaging in a positive colleague journey for all colleagues.

• Offering flexible working / working differently / being creative in our role creation.

• Continued commitment to the apprenticeship offer.

• New technologies to support different ways of working across Connexus and our regions / geography.

• Colleague consultation and engagement in all aspects of change to encourage the voice and empowerment in the workforce.

• Continued commitment to colleague learning and development.

We have a clear People Strategy and apprenticeship offering in line with the above which is always under constant review. We believe that through these initiatives, we will see greater diversity at all levels.

**Apprentices and Learning and Development**

Connexus supports and encourages apprenticeships as they are a fantastic opportunity for the group to grow and shape its own talent. During the pandemic this has been no different and we have been actively looking to recruit apprentices into the organisation. During the past year we have successfully welcomed 9 apprentices into areas across the business including: Repairs and Maintenance, Governance, ICT and Assets, Customer Services. All of these amazing apprentices will be on a unique journey, taking them from novice to skilled colleagues, while aligning with, and contributing to, the Connexus vision and values. Connexus invests in its apprentices helping them develop their practical skills and knowledge which not only benefits the apprentice but gives the group a return on its investment, making them truly a real asset to have within the business.

Alongside our apprentice schemes, we run development courses, activities and learning for all members of Connexus and like many organisations during the Covid-19 pandemic we have had to adapt the way we do things.

With adversity always brings opportunity and it has been a difficult year for learning and development, our apprentices and colleagues. The L&D Team quickly adapted to delivering training virtually using the WebEx Training Platform. Not only did the team have to learn new skills quickly to deliver training in this way they coached every participant to use the application. It has been a steep learning curve and it proves how versatile and proactive we all are.

This year alone our Learning and Development team have delivered 60 virtual learning activities and 561 participants attended, alongside supporting colleagues individual learning courses and apprenticeships.

## Case Studies – We asked our colleagues:

**Rachel Woolley, Financial Services Officer**

I have worked in previous jobs as a supervisor and never had any real training so thought it would be a great opportunity to for me to learn new skills for the role.

It is challenging at times with finding the time to do the course work, but the online training sessions are great chance to speak to people doing the same course and ask tutors questions.
I am hoping to gain knowledge on how to successfully carry out a supervisor role and how to communicate better with my colleagues

and the way they work. Hopefully this will ensure more efficient training and support is carried out so we can give colleagues more knowledge to succeed in their own roles.

**Peter Redding, Learning and Development Officer**

The part of my role I loved most was delivering training sessions, however, there is much more to the role than that. To analyse the skills gaps in the organisation, find relevant development opportunities, work strategically, and help to lead digital transformation in Learning and development, all require new knowledge, skills and behaviours. This is exactly what an apprenticeship can help me to develop.

Taking on an apprenticeship just as a worldwide pandemic broke out was and is quite daunting. The positive side is that this has provided a myriad of learning opportunities. Due to the small size of our team I have been able to work closely with our business partner, Anne, and shadow her while she delivered training to our management team as well as adult and children's safeguarding. Sometimes this forces me out of my comfort zone, and this is where the real learning happens.

If I'm successful I will gain a level 5 qualification as a learning and development consultant, along with associated knowledge, skills and behaviours expected of that position.

Not only am I benefitting from this experience, Connexus will too. L&D consultants help to align the service they deliver more closely to the corporate aims and objectives, working closely with key stakeholders to ensure that not only individuals but the organisation as a whole learns and develops. This helps to embed the golden thread from corporate plan to individual objectives. New projects and systems generally require new knowledge and skills, by having an L&D consultant at the table during the early stages Connexus can ensure that they are rolled out in the most effective way.

"Connexus has helped me develop my skills and knowledge of working in a business environment while completing my Business & Administration Apprenticeship in 2015 within the Communications team at Connexus. I'm currently studying towards my Level 3 Foundation Certificate in Marketing."

**Laura Fox, Assistant Development Manager**

I wanted to take part in an apprenticeship to expand my knowledge, specifically my technical knowledge around construction whilst also working and being able to develop these skills and knowledge to do my job effectively. An apprenticeship for me was the perfect solution and enabled me to achieve my goals. I found the course interesting, and each module covered different things I can relate to my job role; which also expanded my skills and knowledge. Although this has been difficult in the current climate with it all being held virtually, and at times this has posed some difficulties in communication and understanding, I do feel however that I have progressed and achieved well in my assignments. From my apprenticeship I will gain a HNC and an NVQ, but also the confidence in my day-to-day job that I do know the answer and that I should believe in myself.

**Zack Palmer, Apprentice ICT Analyst**

Starting a job of any kind in the middle of a pandemic was a pretty worrying prospect for me but from the get-go I had a pretty good feeling about Connexus. So far, they have been meeting my learning needs, even with lockdown restrictions in place. When any other challenges have presented themselves, these have been met and dealt with really well and quickly too. I've had monthly check ins to make sure everything is ok and asked if there is anything else I need or more that can be done. Even working in other teams, this has been really reassuring. This alongside the hard work of the learning and development team really shows me that Connexus does care about its colleagues and are dedicated to make sure that they are comfortable and supported to make they achieve whatever their goals may be.

## Financial Performance

Group turnover was £69.5m (£64.6m 2020) an increase of 7.6%. Revenue from Market Sales increased by £3.7m in the year following positive performance at the Radbrook scheme, whilst Social housing lettings income increased by £1.8m as a result of Rent inflation and the increase in unit numbers.

The operating surplus for the year was £18.3m (£18.1m 2020) driven by the reduction in surplus on disposal of fixed assets which at £2.3m was £2.2m lower than the exceptional high in 2020 of £4.5m. Operating expenditure was £53.3m for the year £3.2m higher than 2020, with the main drivers being the increase in cost of sales linked to Market Sales properties and £0.5m of Corporate restructure costs related to phase 2 of the merger. A further £0.38m of Impairment and revaluation losses was reported in the year due to on-going Covid uncertainty.

The Group made a surplus for the year ended 31 March 2021 of £7.38m after tax compared to a position for the Group in 2020 of £8.8m, costs incurred as part of the phase 2 merger of companies contributed £1.45m to the interest and financing costs for the year. The adjusted surplus for the year (which excludes non-recurring cost associated with the merger) would be £9.34m.

From a budget perspective the finance costs associated with the Corporate restructure £1.45m, Pension Service cost £0.6m, Impairment of offices and investments properties on valuation reduce operating surplus by £0.38m are the main drivers for the variance to the Original budgeted performance, with the true pressure not being seen due to positive performance in other areas because of Covid ways of working.

## Taxation

Surpluses from Social housing lettings are exempt from tax as the Group has charitable status. Usually when taxable activities are undertaken for example our Market Sales programme, the profits derived are gift aided from the subsidiary to the Group. In 2021 the tax account for the year showed a cost of £0.42m as a result of the business decision to retain profits as a risk mitigation. The profits will be used to fund further affordable housing in a future year in line with the Group business plan.

## Total Comprehensive Income

There was a (£4.1m) actuarial loss in respect of Pension schemes due to investment performance during the pandemic and the impact of changes in assumptions. This is a volatile area where a £1.58m gain was reported in 2020.

## Statement of Financial Position

At the 31 March 2021 Housing Properties had a net book value of £347.6m increased from £332.9m in 2020. Despite the pandemic £16.2m of Social housing letting schemes were completed and £5.2m of Shared Ownership properties were also completed. The value of properties under construction at the year-end was £26.1m (£27.8m 2020). Total reserves are £87.5m (£84.6m 2020) following the transfer of surplus for the year, other comprehensive income and the transfer of Independence Trust reserves from the group.

## Liquidity

On the 31$^{st}$ of March group liquidity was £57.5m including £5.68m in Cash and Cash equivalents and £19.95m undrawn RCF facility. The Group continues to have strong operating cash performance. Increased sales proceeds and a reduced capital improvement programme means that closing liquidity was £27.5m higher than forecast in the approved business plan, which was prepared including potential Covid19 impacts.

## Funding & Treasury

In the final quarter of the financial year a long-term loan was repaid to Newcastle BS in preparation for the phase 2 Corporate restructure resulting in total long term borrowings of £225m (£247.5m 2020) Overall net debt has decreased by £1.4m to £185.4m at the year end. Net debt is defined as debt less cash available to repay funders. 84% of our debt was at fixed rate (80% 2020) with 16% at floating rates of interest.

The group security structure remains in the long term with 84.4% (83.8% 2020) of drawn debt being due after 5 years. This is part of our control framework to reduce the refinancing risk by ensuring a mixture of loan terms.

The Group weighted average cost of capital was 4.26% (4.18% 2020)

The Group remains well funded, and the latest business plan shows that our period of financing is 41 months compared to the Regulatory requirement of 18 months demonstrating sufficient funding for both our Capital Improvement and Development programmes.

The Groups credit rating was confirmed by Moody’s during the year and remained A3 stable.

## Value for money (VfM)

The Group Board has been given assurance in respect to compliance via a VFM compliance checklist, this articulates all strands of the standard which Executive colleagues have presented documented evidence to the Audit & Risk Committee for approval.

The required outcomes from the RSH are that Registered Providers must:

**Clearly state their strategic objectives** – a new Corporate Plan was approved in 2020 by the Group Board which details five clear objectives; Customer focus, Our people, One Connexus, Commitment to our Communities and to be Well Governed, Resilient and Financially Sound. A Value for Money strategy was approved in July 2018, a revised VFM strategy is being prepared of which the new objectives will be discussed and approved at the Group Board Strategic Away Day in September 2021. In addition, the VfM objectives will be consulted on with all Stakeholders, with particular attention to our tenants and customers. The existing strategic objectives are to:

- Generate the optimal outcomes for the Group, tenants, customers and communities from the considered use of all resources.
- Create efficiencies in the way we operate.
- Utilise profits from commercial activities to provide better services for our customers.
- Understand the return on our assets and utilise this to assist in the prioritisation of activities against our strategic objectives making new development decisions based on social and financial return to the Group, our customers and communities.
- Create and embed a VfM culture across the Connexus group.
- Use growth in the business to provide local employment opportunities, apprenticeships and reduce dependency.
- Provide social and economic benefits to individuals and communities in our core geographical areas.
- Create environmental efficiencies

The financial efficiencies generated will provide funding to:

- Meet new homes targets
- Invest in existing stock
- Improve customer services
- Maintain sustainable communities
- Support business growth and development

## Approach agreed by Board in delivering value for money

The strategy in place since merger has been reviewed by the Audit & Risk Committee and has been scrutinised and approved by the Board. A revised strategy is being prepared which will align to the new corporate plan.

The VFM agenda is embedded at Connexus through the creation of a Connexus Value Group (CVG). Chaired by the Director of Resources, the CVG includes colleagues across the Group at all levels. A detailed efficiency log is at the heart of the CVG, this is accessible by all colleagues within the organisation having the ability to enter onto the log savings that have been demonstrated. Finance then transact these savings as cash backed and report to Senior Management, Executive Management and Group Board income and expenditure detailed variance analysis via the monthly management accounts.

Our approach is designed to ensure that value for money is provided for our customers. Specifically:

- Connexus has adopted a Customer First approach to focus on delivering to purpose and what matters most to the customer rather than being driven by costs, targets and budgets. All of these will be measured and monitored but will not drive delivery.

- Connexus has developed a Customer and Community Involvement Strategy and will listen to the concerns of customers in order to deliver better services and amend our approach in response to customer feedback. We communicate with our customers in a variety of ways, via our website, telephone and text messaging, meetings, face-to-face contact and social media but we principally communicate our VFM story and service changes etc. through our customer newsletters.
- Customer Involvement Panels are central to the process of service review and improvement.
- Connexus has partnership working as a key pillar and will work closely with other landlords across our core operating area of Shropshire and Herefordshire to better address the collective needs of residents, tenants and customers and to be responsive to priority issues facing our Council partners.

**Ensure that optimal benefit is derived from resources and assets to optimise economy, efficiency and effectiveness.**

The approved VfM strategy states that Connexus will:

- Prioritise our expenditure and ensure that expenditure is only incurred if it directly benefits our customers or indirectly benefits our wider customer base.
- Create a business case for major decisions and scrutinise these at Connexus Value Group, Senior Management Team meetings, Executive Management Team meetings, Enterprise Committee, Audit & Risk Committee, Customer Services Committee or Parent Board as appropriate. The business case will be backed up by a financial appraisal linked to the quality and benefits to our customers
- Understand our performance and cost base in relation to outcomes

  and review these in comparison to other similar organisations (including commercial organisations where available) on at least an annual basis using analysis to drive service improvement where appropriate.
- Monitor trends against performance on a monthly basis and have processes in place to improve, introducing continual learning cycles.
- Review our performance through balanced scorecards and management accounts on a monthly basis and at least quarterly report to Board and relevant Committees.
- Drive efficiencies in procurement by creating a procurement plan and monitoring outcomes.
- Set annual targets for VfM efficiencies, recording and scrutinising efficiencies delivered.
- Have robust business planning and budget process and review to ensure that financial performance will comply with funders' covenants
- Include an annual efficiency target approved by the Group Board in our Long Term Financial Forecast.
- Where possible we will generate a profit by providing services to non-residents and use the profit to reduce costs or improve the service to our residents.
- Implement our Asset Management Strategy to optimise the return on our assets.
- Use a variety of data from a number of sources (including customer satisfaction, customer profiling and complaints/compliments analysis) to review and triangulate evidence to value for money

- Involve customers through representative tenant groups, resident inspectors and scrutiny panels
- Challenge our delivery models and ensure that our corporate structure provides VfM.
- Scrutinise existing controls and mitigations within the Group Board Strategic Risk Register. Challenging onerous controls that exceed the Group Board risk appetite.

Specific expectations from the RSH are that Registered Providers must demonstrate:

**Robust approach to achieving value for money**, including "rigorous appraisal of potential options for improving performance"

Options appraisals are considered for significant decisions and reviewed by EMT, relevant Committees or the Group Board as appropriate which include merger savings and team restructures

**Regular and appropriate consideration by the Board of potential value for money gains**,

Gains have been considered at the internal Connexus Value Group and at Audit and Risk Committee and for particular items at Board. Options appraisal and VfM section of the Board reports ensure there is regular and appropriate consideration of VfM by the Board. On the 1st of April 2021 the Group was rationalised via a Transfer of Engagements (ToE) to one registered provider being the parent of the Group. The ToE has provided demonstrable savings which have been captured in the 21/22 efficiency savings plan.

**Consideration of value for money across their whole business and where they invest in non-social housing activity, they should consider whether this generates returns commensurate to the risk involved and justification where this is not the case.**

The Enterprise & Development Committee was established in 2018 to ensure that non-social housing returns were properly evaluated. New business finances are prepared by the Finance Team and reviewed by the Director of Resources in conjunction with the lead Director or, if material, by the Executive Management Team. Development management accounts are presented to the Enterprise & Development Committee, which provides assurance in respect to non-social housing activity. The Group Board as part of the approval process of the Long Term Financial Forecast (LTFF) 2021 re-confirmed the on-lending cap between Connexus Homes Limited and Floreat Living plus establishing a fresh set of Golden Rules limiting the exposure to non-social housing activity. Stress Testing, Mitigations and Trigger points have been established in the LTFF to ensure risks relating to non-social housing activity are appropriately managed.

**That they have appropriate targets in place for measuring performance in achieving value for money in delivering their strategic objectives, and that they regularly monitor and report their performance against these targets**

Targets have been developed from the Business Case for merger, the efficiency targets approved by the Board, the standard metrics produced by the Regulator of Social Housing and other metrics that EMT and SMT have identified. These are included in the VfM Strategy. We report on our financial VfM targets (where they can be derived from the Statement of Comprehensive income) in our quarterly financial reports to Board. A more detailed 6 monthly review of performance against targets is taken to Audit and Risk Committee and reported annually to the Board.

**Registered providers must annually publish evidence in the statutory accounts as follows:**

-Performance against VFM targets, metrics set by the regulator and performance compared to peers.
- Measurable plans to address any areas of underperformance

### Overall VFM self-assessment

Connexus has engaged i4H to provide benchmarking information, with the full report for 2020/21 being provided in June 2021 and is benchmarked against 15 of its peers. Audit & Risk Committee noted the VFM metrics and VFM compliance checklist in their July 2021 Committee meeting.

### Methodology

The scoring is based on the i4H quartile system presented below and the system will correspond the score to the quartile position.

| Performance | Score | Percentile |
|---|---|---|
| Elite | 40 | 76 - 100 |
| Median/Upper | 30 | 51 - 75 |
| Low/Median | 20 | 26 - 50 |
| Poor | 10 | 0 -25 |

### Financial Performance and Position

The following table presents the VfM Metrics introduced by the Regulator Social Housing in 2018. The metrics are a requirement of the updated VfM Standard and are of importance to the regulator in the consideration of efficiency.

| Financial Indicator | FY20 Outturn | FY21 Outturn | Median |
|---|---|---|---|
| Reinvestment% | 8.36% | 8.67% | 8.67% |
| New Supply Delivered% (Social Housing)% | 1.44% | 1.59% | 1.59% |
| New Supply Delivered% (Non- Social Housing)% | 0.19% | 0.00% | 0.02% |
| Gearing Ratio % | 72.43% | 64.02% | 49.89% |
| EBITDA MRI Interest Cover % | 181.65% | 192.72% | 188.87% |
| Headline social housing cost per unit £ | £3,500 | £3,158 | £3,429 |
| Operating Margin % (Overall) | 26.18% | 26.36% | 23.70% |
| Operating Margin % (SHL) | 25.02% | 25.78% | 25.78% |
| Return on capital employed (ROCE) | 4.39% | 4.54% | 4.19% |
| **Total Score** | 200 | 200 | 225 |

The total finance score for Connexus Group shows that performance is considerably better compared to the national peer group moving the quartile position to mid/lower quartile compared to lower quartile against the selected peer group. There is an improvement in overall performance compared to the national peer group in particular EBITDA, cost per unit, operating margin and ROCE. This is aligned to the Group Board risk appetite

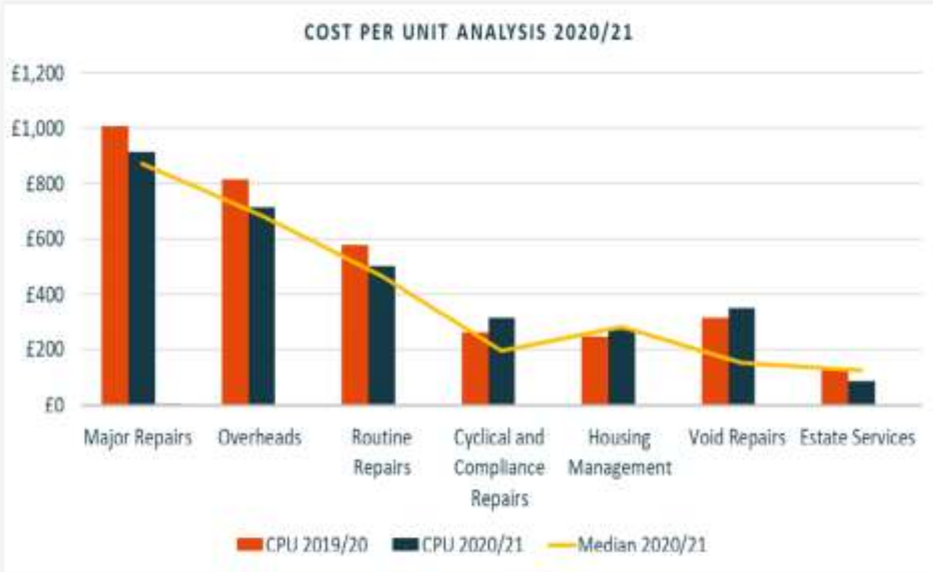
A key, strategic objective for the Connexus group is to develop new homes and development activity has increased for FY21. Th e New Supply Delivered % (Non-Social Housing) has reduced this again is aligned to the Group Board risk appetite.

Connexus Group financial performance has been compared to all national RP's over 1,000 units for the new VfM Metrics. The table below shows that performance is considerably better compared to the national peer group moving the quartile position to mid/upper quartile compared to lower quartile against the selected peer group. There is an improvement in overall performance compared to the national peer group in particular EBITDA, cost per unit, operating margin and ROCE.

| FY20 - Financial Indicator | FY21 (Peer Group) | FY21 (National) | Median (Peer Group) | Median (National) |
|---|---|---|---|---|
| Reinvestment% | 8.67% | 8.67% | 8.67% | 7.22% |
| New Supply Delivered% (Social Housing)% | 1.59% | 1.59% | 1.59% | 1.47% |
| New Supply Delivered% (Non- Social Housing)% | 0.00% | 0.00% | 0.02% | 0.00% |
| Gearing Ratio % | 64.02% | 64.02% | 49.89% | 43.98% |
| EBITDA MRI Interest Cover % | 192.72% | 192.72% | 188.87% | 170.34% |
| Headline social housing cost per unit £ | £3,158 | £3,158 | £3,429 | £3,835 |
| Operating Margin % (Overall) | 26.36% | 26.36% | 23.70% | 23.06% |
| Operating Margin % (SHL) | 25.78% | 25.78% | 25.78% | 25.70% |
| Return on capital employed (ROCE) | 4.54% | 4.54% | 4.19% | 3.40% |
| **Total Score** | 200 | 250 | 225 | 225 |

In conclusion, Connexus Group is a steady performer compared to the peer group. However, overall performance is more favourab le when compared to national registered providers. New delivery performance has been maintained, which is meeting a key national and business objective.

Connexus Group has an overall cost per unit for 2020/21 across the key areas of £3,151, placing Connexus Group at mid/upper quartile. The variance in costs relates to a reduction in major works capital costs across the group. There has been a decrease in routine repairs, estate services and total overhead costs also. This is now the second year where overhead cost have reduced. This evidences that group integration costs are starting to reduce.




| Service Area | CPU 2019/20 | CPU 2020/21 | Median 2019/20 |
|---|---|---|---|
| Major Repairs | £1,007 | £915 | £873 |
| Routine Repairs | £578 | £503 | £466 |
| Void Repairs | £313 | £351 | £152 |
| Cyclical and Compliance Repairs | £262 | £314 | £282 |
| Housing Management | £245 | £272 | £195 |
| Estate Services | £126 | £84 | £124 |
| Overheads | £815 | £713 | £685 |
| **Total Cost Per Unit** | **£3,345** | **£3,151** | **£2,859** |

## Operational Performance Indicators

| Performance Indicator | 2019/20 | 2020/21 | Peer Median |
|---|---|---|---|
| Rent collected current and former tenants (including arrears b/f ) | 99.12% | 102.34% | 97.03% |
| Current tenant arrears (Excluding Voids) | 1.54% | 1.69% | 2.64% |
| Former tenant arrears (Excluding Voids) | 0.51% | 0.77% | 1.39% |
| Rent loss due to voids | 0.87% | 1.70% | 0.51% |
| Average time complete repairs (Days) | 20.50 | 17.93 | 11.29 |
| Percentage of repairs completed at the first visit | 91.44% | 91.25% | 93.16% |
| Satisfaction with the last repair (Transactional) | 88.99% | 88.99% | 93.65% |
| Appointments kept % | 99.87% | 99.86% | 97.70% |
| Average relet time (Days) | 34.95 | 60.38 | 20.32 |
| Gas safety certificate % | 99.92% | 99.99% | 100.00% |
| SAP rating | 67.01 | 67.05 | 71.68 |
| Average seconds to answer inbound calls | 101.00 | 215.14 | 87.00 |
| **Total Score** | **260** | **250** | **300** |

The table to the left is an overview of the Groups cost per unit across our key areas:

Connexus Group is performing at the mid-lower quartile.

There is currently a 17% performance gap to reach the median level and 36% gap to achieve elite performance. Rent loss due to voids, average days to complete repairs, percentage of repairs complete at the first visit, satisfaction with the last repair survey and average re-let times all require performance improvement. This has been a similar trend for the last 3 financial years for the Connexus Group.

• Rent loss due to voids and re-let times performance have increased significantly. Both indicators are related in terms of the outcome of reduced re-let times will reduce rent loss. A review has been conducted into the re-let process from initial void date, void repair, re-let process and final letting. This is already showing improvement in 21/22.

• The average time to complete a repair performance has remained at lower quartile and is consistent with satisfaction with the last repair service performance. Included within the organisations review is an analytical review of types of trade which are taking longer to complete, diagnostics of repairs at reporting and van stock parts at the point of repair.

## Satisfaction Indicators


| Performance Indicator | Latest Result | Median 2019/20 |
|---|---|---|
| Overall Services | 81.52% | 86.56% |
| Quality of Home | 82.56% | 85.00% |
| Neighbourhood | 83.14% | 83.99% |
| Rent Value for Money | 88.12% | 87.10% |
| Repairs and Maintenance | 88.56% | 84.35% |
| Total Score | 130.00 | 125.00 |

The latest satisfaction data has been used to provide a consolidated result.

The results show the overall position for Connexus Group is mid/upper quartile performance for FY21.

Rent value for money and repairs satisfaction is now performing to upper quartile performance.

Overall Quality of the home and Neighbourhood are showing lower level of satisfaction, however, both of these indicators are close to median position.

In conclusion Connexus performs will in this area compared to the peer group.

| Performance | Score | Percentile |
|---|---|---|
| Elite | | Top 100 |
| Median/Upper | | Top 75th to 100 |
| Median | | Mid Point |
| Low/Median | | Bottom 50th to 25th |
| Poor | | Bottom 25th |

## Risk Management

Connexus is exposed to risks which may have material and adverse effects on its reputation, performance and financial position.

The Group measures these risks by reviewing the likelihood and impact of the inherent risk of an event occurring, identifying controls and actions to mitigate the risk and calculation of the residual risk remaining.

The most significant business risks facing the Group at the end of March 2021 were:

| Risk | Management Controls |
|---|---|
| **Maintaining Data Quality and its Governance**<br><br>Poor data quality leading to compliance failure, inaccurate customer profiling, damage to the reputation of Connexus and risk to financial income and incurring financial penalties, failure to meet contractual requirements. Risk of breaching the Data Protection Act and Public Records Act. Increased risk of attempted or actual fraudulent acts due to the increased use of cloud-stored data. | Data Quality Project in place, led by the Embedding Excellence Manager with the assistance of the Head of Insight and Change and Corporate Project Manager. 2021 DQ Programme in place |

| Risk | Management Controls |
|---|---|
| Detrimental impact on the business in relation to the trade deal agreed between the UK and Europe (e.g. supply issues leading to impact on finances and customers) | A review of cloud based stored data and close monitoring with supply chain<br><br>Monitoring local and national press and media<br><br>Quarterly cashflows to Board<br><br>Consortium procurement ensuring availability of supplies and VfM is achieved.<br><br>Resources (cash) available<br><br>Review undertaken on supplies e.g. materials and boilers<br><br>Stress testing, mitigations and trigger points established to monitor supply price increases<br><br>We have minimal reliance on EU27 nationals in respect to our labour market.<br><br>Weekly verbal reports to EMT |

| Risk | Management Controls |
|---|---|
| Health and Safety Landlord Compliance carried out poorly, puts customers at harm<br><br>Poor asset management and associated | Audit and Risk Committee scrutiny of performance dashboard produced quarterly<br><br>Clear process maps in place for Compliance Team |

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|---|---|
| compliance work not carried out satisfactorily or systems for compliance testing not operating effectively leading to serious injury or death. | Connexus Compliance Policies and Procedures are now adopted and have been developed in partnership with Pennington Choices<br><br>Landlord H&S Action Plan<br><br>Quarterly Pennington Choices Health Check<br><br>Training and tool-box talks for repairs colleagues facilitated by insurance broker<br><br>Weekly performance report to CEO and DoP<br><br>Written monthly report, with KPI's, to EMT and SMT providing clear performance position |

| **Risk** | **Management Controls** |
|---|---|
| Development – Sales (including shared ownership) not materialising as forecast / surpluses not achieved as forecast in business plan<br><br>Downward trend in housing market - sales (including shared ownership) not materialising as forecast / surpluses not achieved as forecast in business plan | Agreement to convert unsold S/O to Rent to Buy units if unsold at 6 months<br><br>Board / Committee oversight of any new sales projects before committing<br><br>Capital at risk caps in place for Shared Ownership and Outright Sale Programmes<br><br>Cash in bank to deal with market downturn and extensive stress testing<br><br>EMT receive written reports on sales, plus DoP receives weekly KPIs, E&D Committee received quarterly written reports on sales<br><br>Home Ownership Policy in place<br><br>Internal and External Audit<br><br>Phased release of developments to manage overall exposure to individual sites and to the Group as a whole<br><br>Professional sales team monitor external market risk reports produced by Savills<br><br>Regular valuation reports on shared ownership / sale units |

| **Risk** | **Management Controls** |
|---|---|
| Failing to meet governance and viability standards leading to a downgrade<br><br>Poor governance including major change in leadership. Inability to recruit executive and board with right skills and experience leading to a regulatory downgrade. Poor quality, accuracy and planning of data could lead to poor governance management. | All Regulatory Standards complete and reported to the board in 2020 and ongoing throughout 2021<br><br>Board and colleague declarations of interest are captured on an annual basis<br><br>Board and Committee Effectiveness Review has been undertaken in 2020 as part of the appraisal process. Complete effectiveness review with external scrutiny and validation will be undertaken by end-September 2021<br><br>Board training at strategic away days and individual training sessions / workshops at |

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| | the start of each board meeting including e-learning modules<br><br>Risk assurance framework and Risk Management Strategy agreed and in place. Board have undertaken a risk appetite workshop in February 2021<br><br>Consultants assisted with board member recruitment<br><br>Deep Dive into Governance delivered to the Audit and Risk Committee in January 2020<br><br>An effective and scrutinised asset and liability register in place<br><br>Executive and Board skills assessment undertaken to assist with recruitment<br><br>Head of Governance part of the National Housing Federation's Co Sec Forum which shares and promotes best practice within the sector<br><br>An experienced Executive and Senior Management Team in place<br><br>National Housing Federation's Code of Governance 2015 is adopted by Connexus<br><br>Overlap between board retirements and new board appointments |

| | |
|---|---|
| | Policy Up-dates of all governance policies including re-write of the Standing Orders and Financial Regulations<br><br>Risk awareness training provided by insurance brokers AJG |
| **Risk** | **Management Controls** |
| Safeguarding<br><br>Safeguarding issues leading to abuse of individuals. Group Board have approved a dis-investment strategy in respect to the services Independent Trust deliver. Whilst in this transition stage of transferring contracts to other providers, there is a heightened risk of services not meeting the thresholds set due to key members of staff leaving. Additionally, poor asset management could in turn result in safeguarding issues and concerns. | Colleague training<br><br>Designated Safeguarding leads and deputies across the group<br><br>External Safeguarding Champion<br><br>Landing page on intranet to make it easier for the public and staff to report safeguarding concerns.<br><br>Policies / procedures / registers<br><br>Safeguarding Steering Group<br><br>'Safer Recruitment' adopted that includes appropriate use of DBS checks and safeguarding questions included at interview<br><br>Quality & Administration Manager performs quarterly spot checks on<br><br>Training request form has been updated and was launched on 1st December 2020. Training Matrix has been updated and training programme now in place. |

| Risk | Management Controls |
|---|---|
| Staff and Board Member Retention<br><br>Turnover of staff leads to increased costs through the use of temporary staff and the cost of recruitment.<br>Loss of key staff can lead to issues in information retention, as well as reputational damage. Local competition attracts our workforce and increases salaries. Influx of new people living in our operating area. Move to Craven Arms is not embraced.<br><br>Loss of board members weakens the skill set required for a strong, in-control board.<br><br>Retention issues result in organisational capacity issues, loss of skills and resultant morale issues - particularly within Assets and Repairs teams<br>Higher level of existing and new legislation meaning increased levels of competencies are required from staff - e.g., requirements within the Building Safety Bill, New Building Safety Regulator within the Health and Safety Executive, etc. | Active staff engagement (workshops, roadshows, etc)<br><br>Agile working policy<br><br>Annual appraisal of Executive by Chief Executive (Chief Executive appraised by Chair) with R&HR recommending changes to remuneration of Executive to Board<br><br>Bench-marked and periodically reviewed salaries<br><br>Board induction and development programme in place, annual skills analysis and annual 360º appraisal system in place and competitive board member salaries set<br><br>Board skills analysis undertaken 2020 and revised in April 2021<br><br>Promotion of internal secondments, apprenticeship schemes, etc<br><br>R&HR Committee oversight<br><br>Recruitment and Retention Policy<br><br>Succession planning for EMT and Board and key roles |

| Risk | Management Controls |
|---|---|
| Disease Pandemic<br><br>Spread of disease on an IL scheme.<br><br>Death from disease on an IL scheme.<br><br>Risk of cross infection from staff to staff, staff to tenant or tenant to staff.<br><br>Significant staff sickness or having to isolate causing disruption to services or failure to provide services.<br><br>Finance Team unable to process salaries and pay suppliers.<br><br>Governance team unable to complete regulatory and compliance submissions.<br><br>Increased risk of GDPR issues due to working | Adequate insurance cover in place for all colleagues working from home using Connexus ICT equipment<br><br>Advice given across the Group in terms of health advice, using guidelines issued via the Gov.UK and World Health Organisation websites<br><br>Clarity issued around sickness entitlement should an individual have a disease confirmed or should a period of self-isolation be advised<br><br>Colleagues in customer facing roles have been offered early access to vaccinations, including all colleagues working in customers' homes<br><br>Compliance Access Guidance in place<br><br>EMT weekly review meeting taking place during the current COVID19 pandemic. KPI's in place to monitor specific areas of concerns i.e. cash, arrears, voids and sickness absence. |

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|---|---|
| outside of systems and home working practices.<br><br>Poor colleague well-being as a result of working from home.<br><br>Health and Safety of colleagues working from home.<br><br>Contractors being unavailable to continue existing contracts / provide support due to lack of staff and/or lack of materials due to lack of production or inability to be able to deliver nationwide.<br><br>Not enough colleagues to provide internal support or to provide cover to essential services.<br><br>Rise in complaints due to delays in repairs / programmed works.<br><br>Development projects and other company projects stalling due to no workforce. Also difficulties with supply chains | Effective access to ICT remotely to enable colleagues to work from home if necessary - access to ensure emails, applications and files are available.<br><br>EMT keeping abreast of the wider sector implications as a result of the pandemic<br><br>Enable managers to identify symptoms of coronavirus and to be able to deal with such incidences swiftly ensuring health and safety of colleague. Deliver services to customers using safe methods of working during time of pandemic. Ensure clear guidance on working practices to those colleagues delivering services. Source supplies of PPE and provide to front-line colleagues.<br><br>FAQs issued weekly to all staff. Wellbeing section created on the Intranet. Weekly welfare checks undertaken by managers to their teams who are working from home. Social communications encouraged amongst teams (using WhatsApp for example). Use of the Intranet to share photographs, well-being tips, podcasts etc.<br><br>Provide all Connexus offices and sites with hand sanitiser and display posters with information and guidance on how to reduce the risk of spreading virus and encouraging good hygiene. |

| | |
|---|---|
| No access to properties to undertake compliance checks.<br><br>Inability to work from home due to technological failure.<br><br>Loss of income (rent and sales).<br><br>Rise in ASB due to home restrictions.<br><br>Long term risks to the business of a major pandemic - death of significant numbers of workforce leading to Connexus being unable to operate and/or significant deaths amongst population and major economic depression.<br><br>Lack of testing available.<br><br>Further national or local lockdown sanctions. Continued guidance to work from home.<br><br>Children being sent home having an impact on mobile workers. | Recovery plan in place for return to work (for trades)<br><br>Regular testing of the Business Continuity Plan, ensuring contact numbers and emergency contract details are up-to-date. Customer Services Team and Housing test their own individual Business Continuity Plans ensuring they are robust enough for a lock-down period.<br><br>Teams to undertake risk assessments and test their individual business continuity plans.<br><br>Various guides published - working in customers' homes, working at home, school closures, ICT remote access, emergency repairs, conference and Webex calling, key workers, GDPR compliance, etc. |

| | |
|---|---|
| Economic impacts - recession, customers receiving furlough payments or losing jobs leading to inability to pay rent). | |
| **Risk** | **Management Controls** |
| Financial issues causing Covenant Failure<br><br>Poor asset management and finances managed badly leading to breach of covenants and consequent downgrade. Financial issues cause the risk to materialise. Financial covenant failure and inability to withstand one off shocks to the financial plan | All measures in the Financial Health page on the Group Board KPI dashboard.<br><br>Budgets monitored on a monthly basis and covenant performance monitored monthly by EMT. Board now receive management accounts including covenant compliance, liquidity, cash flow and headroom in lender covenants. In addition, drawn loan facilities with availability in the revolving credit facility Creation of the Finance and Treasury Committee with first meeting held on 26th January 2021 to which Savills (treasury partner) presented current loan portfolio, subsequent loans post-transfer of engagement and recommendations as to new funding requirements as part of the long-term financial strategy.<br><br>Monitor in line with Golden Rules<br><br>Relevant stress testing was conducted by Savills approved by the Board on 11 May 2021, having previously been revised on 15 September 2020. |
| | Specialist Treasury advice received by Board on 12 May 2020. Monthly management accounts provide a review of the treasury position. Annual report provided by external treasury advisors. |

Good governance is key and Connexus ensures that a robust approach is in place to maintain good governance. The Group Board has a key role in governing the organisation to mitigate the risk of poor governance and utilises its powers appropriately.

**The General Data Protection Regulation (GDPR)**

The Data Protection Act (DPA) 2018 (encompassing General Data Protection Regulation) came into effect on the 25 May 2018 and applies to any data companies hold or process within the EU. The regulation also relates to companies outside the EU. Its overall goal is to safeguard consumer data and enforce data security rights. At the same time, it forces organisations to think about what they collect, and how they use it.

Connexus is committed to the proper and appropriate use of data held regarding customers and colleagues, storing all date securely and only retaining whilst there is valid reason to do so. We have a dedicated Data Protection Officer to strengthen our controls around GDPR. A Document and Data retention schedule is in place and all data is retained in line with this schedule, as such we are compliant with DPA 2018 retention regulations. In 2020/21 all colleagues have undertaken mandatory GDPR refresher training.
Following the implementation of the new act a GDPR internal audit was carried out and all the recommendations from the audit were implemented by February 2019. A further internal audit was completed in May 2020 and received a reasonable assurance rating

for both design and control.

## Accounting Policies

The principal accounting policies are set out in note 2 to the financial statements on pages 61 to 72.

## Capital Structure and Treasury Policy

The Group's financial instruments comprise borrowings, some cash and liquid resources and various items such as trade debtors, creditors etc. that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. It is the Group's policy to not trade in financial instruments. The main risk arising from the Group's financial instruments is liquidity risk. The Board reviews and agrees policies for managing this risk, details of which are summarised below. The policy was implemented following the refinancing in January 2018 and updated in May 2020.

Treasury activities are controlled and monitored by the Director of Resources, with the assistance of external consultants as required, and are carried out in accordance with policies and strategies approved by the Board. A Finance and Treasury Committee was formed in the year to review the short and long term funding strategy for the Group. The Board undertakes regular reviews of treasury management activity and covenant compliance. The Company has adopted a policy that balances the need to keep the cash levels necessary only to meet immediate business requirements, but also protecting the long-term position by taking advantage of long-term rates, when the opportunity arises.

The overall aim is to manage the Company's exposure to interest rates and have a debt profile that supports the needs of the business.

The Group finances its operations through a mixture of retained profits, bank funding and bonds taken at fixed rates of interest. The Group has funding in place in the form of a £55m revolving credit facility (RCF). At 31 March 2021, borrowings stood at £225m (£247.5m 2020), the RCF facility had £35m drawn at the 31st March (£40m 2020). However, £37.5m was held in Cash and Short Term Investments. At the year-end 84% of borrowings were at fixed rates.

All borrowings are at fixed rates in GBP and the Group has no currency exposures. Any movements in interest rates will therefore not impact on the surplus before tax.
The Group does not hold any derivative financial instruments.

The table below provides an analysis of when the debt falls due for repayment:

**Financial liabilities excluding trade creditors ***
* Based on final repayment date

| **Group** | **2021** **£'000** | **2020** **£'000** |
|---|---|---|
| Under one year | - | - |
| Within two to five years | 35,050 | 40,000 |
| After five years | 189,969 | 207,521 |
| | | |
| **Interest rate basic:** | | |
| Fixed | 84% | 80% |
| Floating | 16% | 20% |

The weighted average cost of financial liabilities is 4.26% in 2021. (2020: 4.18%).

## Cash Flow

Cash inflows and outflows for the year ended 31 March 2021 are set out in the cash flow statement on page 60. Net cash inflows from operating activities are from the management of housing stock. Returns on investment and servicing of finance are due to interest income and interest charges on loans.
The net cash outflow from capital expenditure is the spend on capitalised repairs on existing housing stock, spend on development of new housing stock which has been capitalised less grant and sales proceeds from properties sold under the 'Right to Buy scheme', plus spend on other fixed assets. The net movement in financing is the difference between loans repaid and new loans.

The Group generated net cash from operating activities of £33.5m (£30.8m 2020). After investing and financing activities cash and bank balances for the year ended 31 March 2021 increased by £2.272m (£0.993m 2020).

## Current Liquidity

The Connexus Group treasury management policy requires that Connexus will maintain a minimum level of liquidity such that there is:

i. sufficient cash to cover the next three months forecast net cash requirement;

ii. sufficient cash and committed loan facilities capable of immediate draw down to cover the next twelve months forecast cash requirement; and

iii. sufficient cash and committed loan facilities (whether or not capable of immediate draw down) to cover the higher of total committed development spend and the next eighteen months forecast cash requirement.

Cash and bank balances and short-term investments at 31 March 2021 for the Group were £37.5m (£58.6m 2020), for the company were £0.49m (£1.4m 2020). The Group has a fully secured £55m revolving credit facility in place, at the year-end £35m was drawn following repayment of Newcastle BS, ahead of the Corporate Restructure on the 1 of April 2021. Strategically the main factor influencing the amount and timing of borrowings is the pace of the Planned Maintenance and Improvement and New Development programmes. This has a significant impact according to the timing of payments to contractors and receipt of any capital grants.

## Statement of compliance

The Board confirms that these financial statements are prepared in accordance with Financial Reporting Standard 102 – the applicable financial reporting standard in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice: Accounting 2019 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. And are fully compliant with the Governance and Viability standard following the review undertaken during the year.

## Statement of the responsibilities of the Board in respect of the Board's report and the financial statements

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of the income and expenditure of the group and the association for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group's and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

John Barker

John Barker
Chair
3 August 2021

## Independent auditor's report to Connexus Housing Limited

### Opinion

We have audited the financial statements of Connexus Housing Limited ("group and the association") for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the group and the association as at 31 March 2021 and of the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group and the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the association or to cease their operations, and as they have concluded that the group's and the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Board's conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group's and the association's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group's and the association's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the association will continue in operation.

**Fraud and breaches of laws and regulations – ability to detect**

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Management, legal and internal audit as to the Group’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, audit and risk committee and governance and remuneration committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet loan covenants / regulatory performance targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from property sales is recorded in the wrong period and may be overstated.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted to unusual and seldom used accounts.
- Sample testing of sales relating to the period prior to 31 March 2021 to determine whether income is recognised in the correct accounting period.

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group’s regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity’s procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related co-operative & community benefit society legislation), distributable profits legislation, taxation legislation, pensions legislation and specific disclosures required by housing legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: GDPR, Health and Safety Legislation and Employment and Social Security Legislation, recognising the regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### Other information

The Association's Board is responsible for the other information, which comprises Chair's Foreword, Chief Executive Foreword to the Financial Statements, Report of the Board, Strategic Report and Statement of Responsibilities of the Board. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

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

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

### Board's responsibilities

As explained more fully in their statement set out on page 54, the association's Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the [group or the ]association or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

### The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it 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 for our audit work, for this report, or for the opinions we have formed.

Signed by

**Sarah Brown (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

Snow Hill, Queensway, Birmingham, B4 6GH

26 August 2021

## Statement of comprehensive income

| | Note | Group 2021 £'000 | Group 2020 £'000 | Company 2021 £'000 | Company 2020 £'000 |
|---|---|---|---|---|---|
| **Turnover** | 3 | **69,538** | 64,563 | **7,185** | 7,648 |
| Operating expenditure | 3 | **(53,277)** | (50,008) | **(6,966)** | (7,116) |
| Surplus on disposal of fixed assets | 5 | **2,310** | 4,494 | **-** | - |
| Movement in investment property valuation | | **(238)** | (971) | **-** | - |
| **Operating surplus** | 3, 4 | **18,333** | 18,078 | **219** | 532 |
| Interest receivable and other income | 7 | **20** | 191 | **1** | 1 |
| Interest and financing costs | 8 | **(10,553)** | (9,237) | **-** | - |
| **Surplus before tax** | | **7,800** | 9,032 | **220** | 533 |
| Taxation | 9 | **(421)** | (224) | **-** | - |
| **Surplus for the year** | | **7,379** | 8,808 | **220** | 533 |
| Actuarial (loss) / gain in respect of pension schemes | 32 | **(4,103)** | 1,582 | **-** | - |
| **Total comprehensive income for the year** | | **3,276** | 10,390 | **220** | 533 |

All results derive from continuing operations.

The financial statements were approved and authorised for issue by the Board on 3 August 2021

| John Barker | Nicola Griffiths | Richard Woolley |
|---|---|---|
| Chair | Company Secretary | Chief Executive |

## Statement of financial position

| | Note | Group 2021 £'000 | Group 2020 £'000 | Company 2021 £'000 | Company 2020 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible fixed assets - housing properties | 12 | **347,619** | 332,881 | **-** | - |
| Other tangible fixed assets | 13 | **4,398** | 4,166 | **394** | 72 |
| Investment properties | 14 | **7,000** | 7,228 | **-** | - |
| | | **359,017** | 344,275 | **394** | 72 |
| **Current assets** | | | | | |
| Properties held for sale | 15 | **13,328** | 18,673 | **-** | - |
| Stock and work in progress | 15 | **667** | 522 | **-** | - |
| Trade and other debtors | 16 | **3,995** | 4,095 | **4,562** | 2,128 |
| Debtors: amounts due after more than one year | 17 | **6,787** | 7,936 | **-** | - |
| Short term investments | 18 | **31,889** | 55,228 | **482** | 1,393 |
| Cash and cash equivalents | 18 | **5,685** | 3,413 | **6** | 9 |
| | | **62,351** | 89,867 | **5,050** | 3,530 |
| **Creditors: amounts falling due within one year** | 19 | **(18,915)** | (22,756) | **(2,487)** | (891) |
| Net current assets | | **43,436** | 67,111 | **2,563** | 2,639 |
| **Total assets less current liabilities** | | **402,453** | 411,386 | **2,957** | 2,711 |
| **Creditors: amounts falling due after more than one year** | 20 | **(293,498)** | (310,047) | **-** | - |
| **Provisions for liabilities** | | | | | |
| Pension provision | 32 | **(21,119)** | (16,396) | **-** | - |
| Other provisions | 25 | **(329)** | (330) | **(71)** | (45) |
| **Total net assets** | | **87,507** | 84,613 | **2,886** | 2,666 |
| **Reserves** | | | | | |
| Share capital | | **-** | - | **-** | - |
| Income and expenditure reserve | | **87,507** | 84,613 | **2,886** | 2,666 |
| **Total reserves** | | **87,507** | 84,613 | **2,886** | 2,666 |

## Consolidated statement of changes in capital and reserves

| Group | Share capital £'000 | Income and expenditure reserve £'000 | Combined total capital and reserves £'000 |
|---|---|---|---|
| **Balance as at 1 April 2019** | - | **74,223** | **74,223** |
| Surplus for the year | - | 8,808 | 8,808 |
| Other comprehensive income for the year | - | 1,582 | 1,582 |
| **Balance at 31 March 2020** | **-** | **84,613** | **84,613** |
| Surplus for the year | - | **7,379** | **7,379** |
| Transfer of Independence Trust from Group | - | **(382)** | **(382)** |
| Other comprehensive income for the year | - | **(4,103)** | **(4,103)** |
| **Balance at 31 March 2021** | **-** | **87,507** | **87,507** |

## Statement of changes in capital and reserves

| Company | Share capital £'000 | Income and expenditure reserve £'000 | Combined total capital and reserves £'000 |
|---|---|---|---|
| **Balance as at 1 April 2019** | - | **2,133** | **2,133** |
| Surplus for the year | - | 533 | 533 |
| **Balance at 31 March 2020** | - | **2,666** | **2,666** |
| Surplus for the year | - | **220** | **220** |
| **Balance at 31 March 2021** | **-** | **2,886** | **2,886** |

## Consolidated Cash Flow Statement

| Group | Note | 2021 £'000 | 2020 £'000 |
|---|---|---|---|
| **Net cash generated from operating activities** | 27 | **33,516** | **30,833** |
| **Cash flow from Investing activities** | | | |
| Purchase of tangible fixed assets | | (22,830) | (26,635) |
| Purchase of other tangible fixed assets | | (1,112) | (537) |
| (Purchase) / sale of investment properties | | (10) | (3,134) |
| Sale / (purchase) of short term investments | | 23,339 | (19,555) |
| Grants received | | 4,061 | 5,125 |
| Interest received | | 20 | 191 |
| | | **3,468** | **(44,545)** |
| **Cash flow from financing activities** | | | |
| Interest paid | | (10,024) | (10,115) |
| Loan arrangement fee | | (358) | - |
| Loan breakage fee | | (1,446) | - |
| New secured loans | | - | 25,000 |
| Repayments of borrowings | | (22,502) | (180) |
| Tranfer of Independence Trust from Group | | (382) | - |
| | | **(34,712)** | **14,705** |
| **Net change in cash and cash equivalents** | 28 | **2,272** | **993** |
| **Cash and cash equivalents at the beginning of the year** | | **3,413** | **2,420** |
| **Cash and cash equivalents at the end of the year** | | **5,685** | **3,413** |

## Notes to the financial statements

1. Legal status

The Company, Connexus Housing Limited, is registered with the Cooperative and Community Benefit Societies Act 2014, Registered No. IP30269R. It is also registered as a social housing provider and regulated by the Regulator of Social Housing Agent in accordance with the Housing and Regeneration Act 2008, Registered No. LH4494.

2. Accounting policies

The following accounting policies have been adopted as being appropriate to the Group's circumstances with regard to giving a true and fair view and have been applied consistently in dealing with items which are considered to be material in relation to the Groups' financial statements.

a. Basis of accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 102 the applicable financial reporting standard in the UK and Republic of Ireland (FRS102) and the Statement of Recommended Practice: Accounting 2019 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial Statements.

The individual accounts of Connexus Housing Group have also adopted the following disclosure exemption:

- The requirement to present a statement of cash flows and related notes

Operating Segment Reporting: It is a requirement under SORP 2018 to apply IFRS8 Operating Segments. Management have determined that the group's operating segments are:

***Social Housing letting:***
General Needs Housing
Supported Housing and Housing for Older people
Temporary Social Housing
Low-Cost Home Ownership

***Other Social Housing Activities***:
Current Asset Property Sales
Supporting People
Other Support Services

***Non-Social Housing Activities***
Market Sales
Wellbeing Services
Other
Surplus on Disposal of Fixed Asset

b. Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

## Notes to the financial statements

The Group prepares a 30 year business plan which is updated and approved on an annual basis. The most recent business plan was approved in May 2021 by the Board. The Business plan considers the assessed principal risks set out in pages 46 to 51 and other matters discussed in connection with the Viability statement below. As well as considering the impact of several scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.
Following the outbreak of Covid-19 the Group has undertaken a series of further scenario testing including severe but plausible downsides in the worst-case scenarios and has adopted a revised business plan taking in to account the key identified impacts.

The board, after reviewing the group, registered provider and subsidiary budgets for 2020/21 and the group's medium term financial position as detailed in the 30-year business plan including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downside sensitivities, the group and company have adequate resources to continue in business for a period of 12 months from the date of approval of these financial statements (the going concern assessment period).

In order to reach this conclusion, the Board have considered:

- the property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of property sales, reductions in sales values and potential conversion of market sale to social homes;
- Maintenance costs – budget and business plan scenarios have been modelled to take account of cost increases and delays in maintenance expenditure, a compliance only programme and major works being phased into future years;
- Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential future reductions in rents;
- Increases to inflation, management costs and libor rates and the associated impacts on affordability;
- Liquidity – current available cash and unutilised loan facilities of £58.6m which gives significant headroom for committed spend and other forecast cash flows that arise;
- The group's ability to withstand other adverse scenarios such as higher interest rates and number of void properties.

The board believe the group and company has sufficient funding in place and expect the group to be in compliance with its debt covenants even in severe but plausible downside scenarios.
Consequently, the Directors are confident that the Group and Association will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have continued to adopt the going concern basis in their preparation.

c. Significant judgements and estimates

The preparation of the financial statements requires management to make significant 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 may 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.

## Notes to the financial statements

- Property, plant and equipment

The Group has undertaken a review of the intended use of all housing properties. In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals. The Group has determined that market rented property, as it is developed are investment properties. The Group has determined that the small number of shops held, due to their nature and low level of rentals charged are held as property, plant and equipment are held for their social benefit.

- Capitalisation of property development costs

The Group capitalises development expenditure in accordance with the accounting policy described within these notes. Initial capitalisation of costs is based on management's judgement that development scheme is likely to proceed. Costs capitalised in this way are regularly reviewed and any costs identifies as abortive are charged to the Statement of Comprehensive Income. The total amount capitalised is disclosed in the notes.

- Impairment

The Group has identified a cash generating unit for impairment assessment purposes during development and construction at a programme level, with subsequent impairment assessment once in management at a property level.

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

- Useful lives of depreciable assets

Other than investment properties, tangible fixed assets are depreciated over their useful lives. Management reviews the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes in homes standards which may require more frequent replacement of key components.

The key judgements and estimates applied in respect of housing property are contained within these notes and include:

- The useful economic life of properties
- That properties have no residual value at the end of useful life.

Defined benefit obligation (DBO)

The Group has obligations to pay pension benefits to colleagues. The cost of these benefits and the present value of the obligation depend on several critical underlying assumptions. These include standard rates of inflation, mortality, discount rate and anticipation of future salary increases provided by the pension administrators and actuaries. Variations in these assumptions may significantly impact the net pension obligation in the balance sheet and the annual defined benefit expenses.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the

**Notes to the financial statements**

instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case management uses the best information available. Estimates fair values may vary from the actual prices.

d. Exemptions taken

The Group does not currently apply any exemptions.

e. Basis of consolidation

The Group's financial statements consolidate the financial statements of Connexus Housing Limited, and its subsidiaries Connexus Housing One Limited (CH1L), Connexus Housing Three Limited (CH3L), Shropshire Housing Treasury Limited, Floreat Development Limited, Floreat Living Limited, Rise Partnership Developments Limited, Connexus Enterprise Limited, Conexus Housing Two Limited (CH2L) and its wholly owned subsidiaries, Enterprise 4 Limited, Independence Trust Limited, and Herefordshire Capital Plc. in accordance with the requirements of Financial Reporting Standard 2 “Accounting for subsidiary undertakings”. Subsidiaries are entities over which, either directly or indirectly, the Company has control through the power to govern financial operating policies so as to obtain benefit from their activities. Intra-group balances, transactions, income and expenses are eliminated.

f. Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the association and entities (including special purpose entities) controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent.
All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

g. Turnover and revenue recognition

Turnover represents rental income receivable in the year, income from shared ownership first tranche sales, and properties built for open market sales and other services included at invoice value (excluding VAT where recoverable) of goods and service supplied in the year and revenue grants receivable in the year.
Government grants received for housing properties are included in turnover amortised over the expected useful life of the housing property structure.

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

h. Accrued income

Where goods or services are provided but not yet invoiced, that revenue is accrued for.

## Notes to the financial statements

i. Deferred taxation

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

j. Loan interest costs

Interest payable and similar charges include interest payable, loan fees, and finance leases recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount of the financial liability.

k. Finance and issue costs

Costs directly connected with the raising of finance are deducted from loans and written off over the life of the loan to the Statement of comprehensive income (SOCI).

l. Preserved Right to Buy Income and Sales

Surpluses and deficits arising from the disposal of properties under the Preserved Right to Buy legislation are disclosed on the face of the Statement of comprehensive income before the operating result. On the occurrence of a sale a relevant proportion of the proceeds are clawed back by Herefordshire Council. There is no claw back arrangement in place for Shropshire Council. The surplus or deficit is calculated by comparing the net proceeds received with the carrying value of the property sold.

m. Management costs

Management costs are allocated to revenue accounts on the basis of an estimation of colleague time allocated, except for specific items of expenditure, which are allocated directly.

n. Reserves

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

o. Tangible fixed assets

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at historical cost less accumulated depreciation and impairment losses. The cost of properties represents the acquisition price of land and buildings, development costs, interest charges incurred in the development period, and expenditure incurred in respect of improvements.
Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Properties in the course of construction are stated at cost and are transferred into housing properties, when complete. Properties in the course of construction are not depreciated.

**Notes to the financial statements**

Donated land and other assets

Where land has been donated as part of an intended development, the land is recorded at its current value at the gifting date within cost of construction and the income treated as a grant if from a government body and as turnover if from a non-government body. Current value takes into account any restrictions on use.

Shared ownership properties

Shared ownership properties are split between fixed and current assets in line with the expectation relating to the first tranche sale percentage. The expected first tranche proportion is classified as a current asset until the point of the first tranche sale. The current asset is then transferred to cost of sales and matched against sales proceeds within the operating surplus in the Statement of Comprehensive Income. Any operating surplus is restricted to the overall surplus which takes into account the Existing Use Value-Social Housing (EUV-SH) of the remaining fixed asset element.

The remaining element of the asset is classified as a fixed asset and included in housing properties at cost, less any provision for depreciation or impairment.

p. Investment Properties

The classification of properties as investment property or property plant and equipment is based upon the intended use of the property. Properties held to earn commercial rentals or for capital appreciation are treated as investment properties and those that are held for the provision of social housing are treated as property plant and equipment.

Where land is acquired for use in the provision of social housing or for a social benefit it is accounted for as property, plant and equipment.

Investment properties are reported at market valuation.

q. Government grants

Government grants include grants receivable from the Homes England (formerly Homes and Communities Agency), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals method.

Grants relating to revenue are recognised in the Statement of Comprehensive Income over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinate to the repayment of loans by agreement by the Homes England. Government grants released on sale of a property may be repayable but are normally available to be recycled are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

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

## Notes to the financial statements

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

r. Other grants

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

s. Depreciation

Property, plant and equipment
The Group separately identifies the major components which comprise in its housing properties, and charges depreciation, to write-down the cost of each component to its estimated residual value on a straight-line basis.

A full year's depreciation is charged on all assets in the year of acquisition, but no charge is made in the year of disposal.
The expected useful lives of assets identified separately are as follows:

| | Connexus Housing One & Connexus Housing Three Ltd | Connexus Housing Two Ltd |
|---|---|---|
| **Structure:** | | |
| Non-traditional | 99 years | 30 years |
| Pre-1974 construction | 99 years | 75 years |
| Post 1974 construction | 99 years | 100 years |
| | | |
| **Other Major Components:** | | |
| Roofs | 60 years | 60 years |
| Windows | 40 years | 30 years |
| Doors | 25 years | not identified |
| Heating systems | 20 years | 36 years |
| Wiring | 40 years | 40 years |
| Kitchens | 20 years | 20 years |
| Bathrooms | 30 years | 30 years |
| Boilers | - | 12 years |
| Lifts | 20 years | 20 years |
| | | |
| **Leasehold Properties:** | Remaining life of lease | Remaining life of lease |
| **Garages:** | Not applicable | 25 Years |
| | | |
| Freehold land | Is not depreciated | |

Other tangible fixed assets

Tangible fixed assets other than housing properties are stated at cost (less grant) less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use.

Depreciation (to residual value) is charged on a straight line over the expected useful life of the asset from the month of acquisition, at the following annual rates:

## Notes to the financial statements

| | |
|---|---|
| Computers and other equipment | 15% - 33% |
| Plant and Equipment | 20% - 33% |
| Vehicles | 25% |
| Furniture, fixtures and fittings | 25% |

Depreciation on offices is calculated on a straight-line basis over the following periods:

| | |
|---|---|
| Newly constructed offices: | 50 Years from the date of practical completion |
| Leasehold offices | Over the period of the lease |

t. Impairment

The Group's internal controls are designed to identify where the value of property, plant and equipment and work in progress held in the Statement of financial position is more than the lower of cost or net realisable value. Where there is evidence of impairment, fixed assets are written down to the recoverable amount, this is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognized as expenditure in the Statement of comprehensive income. Where an asset is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell. Depreciated replacement cost is taken as a suitable measurable model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in surplus or deficit in the Statement of comprehensive income.

u. Capitalisation of development overheads and interest

Only specific and directly attributable costs are capitalised in line with the Statement of recommended practice

Interest on loans financing new development is capitalised up to the date of practical completion if it represents either:

- Interest on borrowings specifically financing the programme after deduction of interest on Social Housing Grant (SHG) in advance or
- Interest on borrowings of the company as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

v. Properties for sale

Shared ownership first tranches sales and completed properties for outright sale are disclosed as: a current asset stated at the lower of cost and net realisable value. Cost comprises materials, direct labour costs and other direct overheads, as identified above. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

w. Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of any transactional costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

## Notes to the financial statements

x. Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest rate method.

y. Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

z. Finance leases

Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a “finance lease”. The asset is recorded in the Statement of financial position as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the Statement of comprehensive income, and the capital element which reduces the outstanding obligation for future instalments.

aa. Operating leases

Costs in respect of operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

bb. Stocks

The value of stock is shown at the lower of cost (the original purchase price) or net realisable value in accordance with accounting standards. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. The value of stores stock is calculated using the weighted average method.

cc. Bad and doubtful debts

Provision is made for current and former tenant arrears, as well as other miscellaneous debts (service charges, community alarm income, and fees receivable for the provision of services) to the extent that recovery is considered doubtful.

dd. Provisions

Due to the numbers of properties and the establishment of regular programme of repair and maintenance, the Group does not generally make a provision for future works. Actual costs are charged to the Statement of comprehensive income.

The Group will recognise provisions where it has a present obligation (legal or constructive) as a result of a past event or where a transfer of economic benefit will be required to settle the obligation and an estimate can be made.

Where properties are leased a provision will be made for dilapidations where specified in the terms of the lease based on the annual rent for that property.

**Notes to the financial statements**

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

ee. Pensions

Connexus Housing Group participates in the following defined benefit pension schemes:

Local Government Pension Scheme (LGPS)

The Group has three LGPS schemes in place – two with Shropshire Council Pension Fund (CH1L and CH3L) and one with Worcestershire County Council Local Government Pension Scheme.

The Group financial statements report pension obligations according to the requirements of FRS 17 – 'Retirement Benefits'. Multi-employer defined benefit schemes that identify individual employers' shares of underlying assets and liabilities are reflected in the Statement of comprehensive income and the Statement of financial position. The difference between the fair value of the assets held in the pension scheme and the scheme's liabilities are recognised in the Statement of financial position as a pension scheme asset or liability. Changes in the defined benefit pensions scheme asset or liability arising from factors other than cash contribution by the employer are charged to the Statement of comprehensive income or Other comprehensive income.

Social Housing Pension Scheme (SHPS)

This scheme is administered independently by the Pension Trust.

The group has two defined benefit schemes in place (CH1L and CH2L). From the year ended 31 March 2018 contributions payable from the association to the SHPS under the terms of its funding agreement were recognised as a liability in the Statement of Financial position.
From the year ended 31 March 2019, the association has been able to identify its share of the scheme assets and the scheme liabilities. It has therefore applied defined benefit accounting, the relevant date for accounting for this change from defined contribution to defined benefit accounting is 1 April 2018. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

The deficit funding agreement liability that was previously recognised in creditors was derecognised on the 1 April 2018, and an initial net defined benefit pension liability was recognised at this date in the statement of financial position. The resulting net difference on initial recognition of the SHPS obligation was recognised in other comprehensive income.

From the year ended 31 March 2019, the net defined benefit pension liability has been included within the provisions for pension liability in the financial statements.

In the year ended 31 March 2020, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to Note 32 for more details

**Notes to the financial statements**

ff. Corporation tax

The charge for taxation is based on the results for the year and takes into account taxation deferred (or accelerated) because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax on a full provision basis.
Independence Trust is an exempt charities for tax purposes and is therefore not liable to corporation tax on surpluses on their charitable activities.
Connexus Housing, Connexus Housing One, Connexus Housing Two and Connexus Housing Three are exempt charities for tax purposes however they do undertake some non-charitable activities are therefore subject to Corporation tax on these non-charitable activities.

Where the Group undertakes activities that are outside of its charitable purpose and exceeds the permitted threshold corporation tax will be payable.

Connexus Enterprise Limited, Enterprise 4 Limited, Shropshire Housing Treasury Limited, Herefordshire Capital plc, Floreat Development Limited and Floreat Living Limited are subject to taxation.

gg. Value Added Tax (VAT)

The Group is VAT registered, with a large proportion of its income being housing rents, and Right to Buy sales which are exempt for VAT purposes, while other income sources being standard, zero rated or outside of scope gives rise to a partial exemption calculation.

Connexus Housing Limited, Connexus Housing One Ltd, Connexus Housing Three Ltd, Connexus Housing Two Ltd, Connexus Enterprise, Enterprise 4 Ltd and Independence Trust are registered within the same VAT group.
Rise Partnership Developments Limited and Floreat Development Limited have their own VAT registrations.

The financial statements include VAT to the extent that it is suffered and not recoverable from HM Revenue and Customs. The balance recoverable or payable at the year-end is included as a current liability or asset.

hh. VAT sharing agreement

Connexus Housing Three Ltd via the transfer agreement with North Shropshire District Council shares VAT savings arising out of the transfer in equal amounts. The related expenditure is shown gross and the VAT recovered is shown as a credit against capital to identify it separately for future use.

Under the terms of the transfer agreement Connexus Housing Three Ltd has contracted to refurbish transferred properties and the amount due to the Association for the work is shown under debtors. The obligation to carry out these works is shown in the provisions for liabilities and charges

ii. Financial instruments

Financial instruments which meet the criteria of basic financial instrument as defined in Section 11 of FRS102 are accounted for under an amortised historic cost model.

Basic financial instruments are recognised at amortised historical cost.
Non-basic financial instruments are recognised at fair value using a

## Notes to the financial statements

valuation technique with any gains or losses reported in surplus or deficit.

jj. Liquid resources

Liquid resources are readily disposable current asset investments. They include some money market deposits, held for more than 24 hours that can only be withdrawn without penalty on maturity or by giving some notice of more than one working day.

## Notes to the financial statements
## 3. Turnover, operating costs and operating surplus

The company's activities consist solely of social housing and non-social housing activities within the UK.

| Group 2021 | Turnover £'000 | Cost of sales £'000 | Operating costs £'000 | Operating surplus £'000 |
|---|---|---|---|---|
| **Social housing lettings** | 49,431 | - | (36,688) | **12,743** |
| **Other social housing activities** | | | | |
| Current asset property sales | 1,920 | (1,625) | - | **295** |
| Other support services | 1,170 | - | (1,059) | **111** |
| **Non-social housing activities** | | | | |
| Market sales | 13,100 | (10,422) | - | **2,678** |
| Wellbeing services | 346 | - | (316) | **30** |
| Other | 3,571 | - | (2,515) | **1,056** |
| **Total from social and non-social housing activities** | **69,538** | **(12,047)** | **(40,578)** | **16,913** |
| Surplus on disposal of fixed assets | | | | 2,310 |
| Revaluation of investment properties | | | | (238) |
| Impairment of other tangible fixed assets | | | | (146) |
| **Exceptional items** | | | | |
| Corporate Restructure | | | | (506) |
| **Total operating surplus** | | | | 18,333 |

| Group 2020 | Turnover £'000 | Cost of sales £'000 | Operating costs £'000 | Operating surplus £'000 |
|---|---|---|---|---|
| **Social housing lettings** | 47,607 | | (35,698) | **11,909** |
| **Other social housing activities** | | | | |
| Current asset property sales | 1,737 | (1,520) | - | **217** |
| Supporting people | - | - | - | **-** |
| Other support services | 1,051 | - | (881) | **170** |
| **Non-social housing activities** | | | | |
| Market sales | 9,412 | (8,325) | - | **1,087** |
| Wellbeing services | 951 | - | (859) | **92** |
| Other | 3,805 | - | (2,542) | **1,263** |
| **Total from social and non-social housing activities** | **64,563** | **(9,845)** | **(39,980)** | **14,738** |
| Surplus on disposal of fixed assets | | | | 4,494 |
| Impairment of other tangible fixed assets | | | | (1,709) |
| Revaluation of investment properties | | | | (971) |
| **Exceptional items** | | | | |
| Write back of fixed assets* | | | | 1,526 |
| **Total operating surplus** | | | | **18,078** |

*inc. adjustments to associated grants

## Notes to the financial statements
## 3. Turnover, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings:

| Group | General needs housing £'000 | Supported housing and housing for older people £'000 | Intermediate rent housing £'000 | Low cost home ownership £'000 | Total 2021 £'000 | Total 2020 £'000 |
|---|---|---|---|---|---|---|
| Rent receivable | 38,312 | 7,010 | 281 | 994 | **46,597** | 45,122 |
| Service charges receivable | 670 | 1,074 | 3 | 68 | **1,815** | 1,596 |
| Amortised government grants | 460 | 97 | 9 | 85 | **651** | 618 |
| Other revenue grants | 368 | - | - | - | **368** | 271 |
| **Turnover from social housing lettings** | **39,810** | **8,181** | **293** | **1,147** | **49,431** | **47,607** |
| | | | | | | |
| Management | (10,989) | (2,204) | (76) | (458) | **(13,727)** | (12,730) |
| Services | (1,487) | (598) | - | (8) | **(2,093)** | (2,597) |
| Routine maintenance | (8,918) | (1,709) | (2) | (18) | **(10,647)** | (9,428) |
| Planned maintenance | (439) | (507) | - | (3) | **(949)** | (881) |
| Bad debts | (117) | (69) | - | 6 | **(180)** | (152) |
| Depreciation of housing properties | (6,799) | (1,310) | (102) | (260) | **(8,471)** | (8,695) |
| Pension operating costs | (502) | (103) | (3) | (13) | **(621)** | (1,215) |
| **Operating costs on social housing lettings** | **(29,251)** | **(6,500)** | **(183)** | **(754)** | **(36,688)** | **(35,698)** |
| **Operating surplus on social housing lettings** | **10,559** | **1,681** | **110** | **393** | **12,743** | **11,909** |
| Voids losses | (617) | (215) | (16) | (49) | **(897)** | (527) |

## Notes to the financial statements

### 4. Operating surplus

| | 2021 Group £'000 | 2020 Group £'000 | 2021 Company £'000 | 2020 Company £'000 |
|---|---|---|---|---|
| **Operating surplus is arrived at after charging / (crediting)** | | | | |
| **Depreciation and impairment** | | | | |
| Depreciation of housing properties | 8,471 | 8,695 | - | - |
| Impairment of tangible fixed assets | - | - | - | - |
| Write back of fixed assets | - | (1,526) | - | - |
| Depreciation of other tangible fixed assets | 912 | 860 | 159 | 80 |
| Impairment of other tangible fixed assets | 146 | 1,709 | - | - |
| **Grant amortisation** | (651) | (618) | - | - |
| **Operating lease rentals** | | | | |
| Service fleet | 365 | 221 | - | - |
| Office equipment | 51 | 57 | 7 | - |
| **Auditors' remuneration (excluding VAT)** | | | | |
| - for external audit services | 117 | 111 | 38 | 18 |
| **Exceptional items** | | | | |
| Corporate Restructure | 506 | - | 506 | - |

### 5. Surplus on sale of fixed assets

| | 2021 Group £'000 | 2020 Group £'000 | 2021 Company £'000 | 2020 Company £'000 |
|---|---|---|---|---|
| Disposal proceeds | 2,866 | 5,715 | - | - |
| Carrying value of fixed assets | (556) | (1,221) | - | - |
| **Surplus on disposal of fixed assets** | 2,310 | 4,494 | - | - |

### 6. Accommodation in management

| | 2021 Group Number | 2020 Group Number |
|---|---|---|
| **Units owned / managed at end of year:** | | |
| General housing - social rent | 7,071 | 7,117 |
| General housing - affordable rent | 1,335 | 1,273 |
| Housing for older people and other supported housing | 1,499 | 1,481 |
| HFOP/SH - affordable rent | 90 | 79 |
| Intermediate rent | 57 | 33 |
| Shared ownership | 342 | 295 |
| **Social housing owned** | **10,394** | **10,278** |
| Market rent | 33 | 33 |
| Commercial units | 40 | 40 |
| **Total Owned Units Managed** | **10,467** | **10,351** |
| Leasehold market rent properties | - | 7 |
| Leasehold properties | 431 | 431 |
| **Total managed properties** | **10,898** | **10,278** |
| Units out of management (included above) | 31 | 48 |

## Notes to the financial statements

### 7. Interest receivable and other income

| | 2021 Group £'000 | 2021 Group £'000 | 2020 Company £'000 | 2020 Company £'000 |
|---|---|---|---|---|
| Interest receivable from deposits and investments | 20 | 191 | 1 | 1 |
| | **20** | **191** | **1** | **1** |

### 8. Interest and financing costs

| | 2021 Group £'000 | 2020 Group £'000 | 2021 Company £'000 | 2020 Company £'000 |
|---|---|---|---|---|
| Interest payable on loans | 9,826 | 9,792 | - | - |
| Interest on finance leases | - | - | - | - |
| Other charges | 198 | 323 | - | - |
| | **10,024** | **10,115** | - | - |
| Pension finance costs | 371 | 401 | - | - |
| Interest payable capitalised on housing properties under construction | (1,277) | (1,236) | - | - |
| Loan Breakage Costs | 1,446 | | | |
| Loan amortisation | 96 | 60 | - | - |
| Bond premium amortisation | (107) | (103) | - | - |
| | **10,553** | **9,237** | **-** | **-** |
| Capitalisation rate used to determine the finance costs capitalised during the financial year: | 3.67% | 3.79% | | |

### 9. Taxation

Connexus Housing Limited is an exempt charity for tax purposes and is therefore not liable to corporation tax on surpluses on its charitable activities. However, during the year, the Group has undertaken a number of activities that are outside of its charitable purpose and has exceeded the £50,000 permitted threshold.

The tax charge on the surplus / (deficit) on ordinary activities for the year was as follows:

**Tax on surplus on ordinary activities**

| | 2021 Group £'000 | 2020 Group £'000 | 2021 Company £'000 | 2020 Company £'000 |
|---|---|---|---|---|
| **Current tax:** | | | | |
| UK Corporation tax on surplus for the year | 589 | 242 | - | - |
| Adjustment in respect of prior years | (168) | (18) | - | - |
| Total current tax | **421** | **224** | **-** | **-** |
| **Total tax reconciliation:** | | | | |
| Surplus on ordinary activities before tax | 7,800 | 9,032 | 220 | 533 |
| Theoretical tax at UK corporation tax rate 19% (2020: 19%) | 1,482 | 1,716 | 42 | 101 |
| Costs not deductible for tax purposes | - | - | - | - |
| Capital allowances in excess of depreciation | - | (11) | - | - |
| Adjustment in respect of prior years | (168) | (18) | - | - |
| Income not taxable | (893) | (1,440) | (42) | (101) |
| Group relief received | - | (23) | - | - |
| | **421** | **224** | **(0)** | **0** |

## Notes to the financial statements

## 10. Colleagues

Average monthly number of colleagues (including the Chief Executive), employed during the financial year:

| | 2021 Group Number | 2020 Group Number | 2021 Company Number | 2020 Company Number |
|---|---|---|---|---|
| Management and support | 98 | 92 | 60 | 51 |
| Development | 20 | 20 | 8 | 5 |
| Asset management | 34 | 34 | 20 | 20 |
| Housing management | 86 | 84 | 51 | 51 |
| Property and maintenance | 205 | 208 | 10 | 4 |
| Care and support | 96 | 137 | 20 | 1 |
| | **539** | **575** | **169** | **132** |

Average monthly number of colleagues expressed in 35/37-hour full time equivalents (full-time staff actually work 35/37 hours):

| | 2021 Group Number | 2020 Group Number | 2021 Company Number | 2020 Company Number |
|---|---|---|---|---|
| Management and support | 91 | 85 | 55 | 46 |
| Development | 18 | 19 | 7 | 5 |
| Asset management | 32 | 31 | 18 | 17 |
| Housing management | 84 | 78 | 49 | 46 |
| Property and maintenance | 200 | 203 | 10 | 4 |
| Care and support | 70 | 99 | 13 | 1 |
| | **495** | **515** | **152** | **119** |

**Colleague costs:**

| | 2021 Group £'000 | 2020 Group £'000 | 2021 Company £'000 | 2020 Company £'000 |
|---|---|---|---|---|
| Wages and salaries | 14,303 | 13,876 | 4,422 | 3,381 |
| Social security costs | 1,358 | 1,279 | 396 | 300 |
| Other pension costs | 1,988 | 2,412 | 260 | 199 |
| | **17,649** | **17,567** | **5,078** | **3,880** |

Including past pension deficit of £313,003 (LGPS £39,900 credit, SHPS £352,903) (2020 LGPS £247,113 SHPS £74,114)

Colleague numbers are calculated on the basis of the average number of colleagues employed at the end of each quarter.

The full time equivalent number of colleagues who received remuneration (including employer pension contributions) greater than £60,000 (including the executive team):

| Remuneration bandings for all employees earning over £60,000: | 2021 Group Number | 2020 Group Number | 2021 Company Number | 2020 Company Number |
|---|---|---|---|---|
| £160,001 to £170,000 | - | - | - | - |
| £150,001 to £160,000 | - | - | - | - |
| £140,001 to £150,000 | 1 | 1 | - | - |
| £130,001 to £140,000 | - | - | - | - |
| £120,001 to £130,000 | 1 | 1 | 1 | - |
| £110,001 to £120,000 | 2 | - | 1 | - |
| £100,001 to £110,000 | - | 2 | - | 1 |
| £90,001 to £100,000 | 1 | 1 | - | - |
| £80,001 to £90,000 | - | - | - | - |
| £70,001 to £80,000 | - | 4 | - | - |
| £60,000 to £70,000 | - | 5 | - | 3 |
| | **5** | **14** | **2** | **4** |

In addition to the above, £102,500 were payable to a third party in relation to management services provided by the Interim Heads of Service who would have earned over the earnings threshold on an FTE basis

## Notes to the financial statements
## 11. Board members and Executive Directors

The Directors of the Group are defined as the Chief Executive and any other person who is a member of the Executive Management Team, or its equivalent. There are 4 Executive Directors all of whom accrue benefits under either the SHPS or LGPS pension schemes.

| | 2021 Group £'000 | 2020 Group £'000 | 2021 Company £'000 | 2020 Company £'000 |
|---|---|---|---|---|
| Aggregate emoluments paid to non-executive directors (Board members) | 79 | 89 | 79 | 89 |
| Aggregate emoluments paid to executive directors | 523 | 500 | 236 | 300 |
| Pension payments relating to services as executive directors | 57 | 47 | 13 | 15 |
| | **659** | **636** | **328** | **404** |

The Board members and Executive Directors are also directors of the subsidiaries within the Connexus Housing Group. Their emoluments are paid either by the parent company or CH2L.

The emoluments of the highest paid Director, Richard Woolley, excluding pension contributions, were £152,000 (£149,000 2020). The Chief Executive is a member of the Local Government Pension Scheme. No further contributions were made to an individual pension arrangement for the Chief Executive.

## 11. Board members and Executive Directors

| | Director | Basic salary and additional payments £'000 | Taxable benefits in kind £'000 | Pension contributions £'000 | Total 2021 £'000 | Total 2020 £'000 |
|---|---|---|---|---|---|---|
| Chief Executive (appointed 1/4/19) | Richard Woolley | 138 | 14 | 24 | **176** | **168** |
| Director of Operations (appointed 1/7/17) | Christine Duggan | 101 | 10 | 18 | **129** | **119** |
| Director of People (appointed 4/1/21) | Joanne Tracey | 22 | 2 | 3 | **27** | **-** |
| Director of Development (appointed 3/6/19) | Victoria Tomlinson | 103 | 10 | 8 | **121** | **92** |
| Director of Resources (appointed 1/10/19) | Andrew Cooke | 112 | 11 | 6 | **129** | **66** |
| Director of Assets and Repairs (appointed 17/6/19, resigned 31/12/19) | Lindsey Squair | - | - | - | **-** | **57** |
| Director of Resources (appointed June 2019, redeployed October 2019) | Peter Donovan | - | - | - | **-** | **45** |
| | | **476** | **47** | **59** | **582** | **547** |

## Notes to the financial statements

## 11. cont' Board Members and Executive Directors

The Directors and Board members listed below are directly employed by the parent Connexus Housing Limited. Their emoluments are paid by the parent company.

| Name | Appointed | Resigned | 2021 £'000 | 2020 £'000 |
|---|---|---|---|---|
| John Barker (Chair) | 19/09/2019 | | 16 | 11 |
| David Lincoln | 28/09/2010 | 15/09/2020 | - | 7 |
| Alison Taylor | 28/09/2010 | 15/09/2020 | - | 9 |
| John Cross | 11/12/2018 | 15/09/2020 | - | 9 |
| Paul Smith | 11/12/2018 | | 7 | 7 |
| Richard Woolley | 01/04/2019 | 15/09/2020 | - | - |
| Andrew Battrum | 19/09/2019 | | 7 | 3 |
| Simon Gibbs | 19/09/2019 | | 7 | 3 |
| Maggie Punyer | 19/09/2019 | | 8 | 5 |
| Abigail Reilly | 19/09/2019 | | 7 | 4 |
| Andrew Taylor | 01/08/2019 | | 11 | 7 |
| Paul O'Driscoll | 20/03/2017 | | 4 | 3 |
| Ruth Cooke (Chair) | 28/09/2010 | 19/09/2019 | - | 7 |
| Hilary Gardner | 11/12/2018 | 19/09/2019 | - | 5 |
| Gillian Jones | 27/07/2017 | 19/09/2019 | - | 4 |
| Elizabeth Walford | 27/07/2017 | 19/09/2019 | - | 5 |
| Nicola de Longh | 15/09/2020 | | 3 | - |
| Simon Ewins | 15/09/2020 | | 3 | - |
| Nicolas Garner | 01/07/2020 | | 3 | - |
| Imran Patel | 15/09/2020 | | 3 | - |
| | | | **79** | **89** |

## 12. Tangible fixed assets - housing properties

| Group | Social housing properties held for letting £'000 | Housing properties for letting under construction £'000 | Completed shared ownership housing properties £'000 | Total housing properties £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| at 1 April 2020 | 358,870 | 27,839 | 23,877 | **410,586** |
| Additions | - | 25,423 | - | **25,423** |
| Works to existing properties | 4,188 | 106 | 54 | **4,348** |
| Interest capitalised | - | 1,277 | - | **1,277** |
| Schemes completed | 16,179 | (21,405) | 5,226 | **-** |
| Transfer to other fixed assets | | (192) | | **(192)** |
| Transfer to investment properties | - | (10) | - | **(10)** |
| Transfer to current assets | - | (6,810) | - | **(6,810)** |
| Disposals - Other | (2,207) | (145) | (90) | **(2,442)** |
| **At 31 March 2021** | **377,030** | **26,083** | **29,067** | **432,180** |
| **Depreciation** | | | | |
| at 1 April 2020 | **76,165** | **-** | **1,540** | **77,705** |
| Charged in the year | 8,211 | - | 260 | **8,471** |
| Released on disposal | (1,612) | - | (3) | **(1,615)** |
| **At 31 March 2021** | **82,764** | **-** | **1,797** | **84,561** |
| **Net book value** | | | | |
| **At 31 March 2021** | **294,266** | **26,083** | **27,270** | **347,619** |
| At 31 March 2020 | 282,705 | 27,839 | 22,337 | 332,881 |

The Company does not hold any housing property fixed assets.

## Notes to the financial statements
## Tangible fixed assets – housing properties (continued)

Housing properties, net of depreciation comprises:

| Group | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Freehold land and buildings | 346,783 | 332,045 |
| Long leasehold land and buildings | 836 | 836 |
| | **347,619** | **332,881** |

## Expenditure on works to existing properties

| Group | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Components capitalised | 4,348 | 8,358 |
| Amounts charged to Statement of Comprehensive Income | 11,596 | 10,309 |
| | **15,944** | **18,667** |

## Social housing assistance

Total social housing and other capital grants:

| Group | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Social housing assistance** | | |
| **Total accumulated grant received or receivable at 31 March** | 70,839 | 66,778 |
| | | |
| Recognised in the Statement of Comprehensive Income | 8,691 | 8,021 |
| Grant received in advance | - | - |
| Held as deferred income | 62,148 | 58,757 |
| **At 31 March** | **70,839** | **66,778** |

## Impairment

Connexus Housing Limited assesses at each reporting date whether there is any indication that an asset (housing and non-housing) is impaired.

The following indicators of impairment must, as a minimum, be considered by a social landlord in assessing whether there is an indication that assets are impaired:

a) Contamination not identified as part of a development which results in a material increase in development costs.
b) Change in government policy, regulation or legislation which has a material detrimental impact on the development scheme.
c) Change in demand for a property.
d) Material reduction in the market value of the property.
e) Obsolescence of the property e.g. Where it is probable that a plan to regenerate existing properties by demolishing them or replacing of components of existing properties will go ahead

Connexus does not consider that any such indication exists and therefore it has not undertaken an exercise to estimate the recoverable amount. Impairment of investment properties recognised during the year end revaluations have been recognised in the financial statements.

Where a property is to be demolished or is unable to be let the net book value of these assets has been compared with the market value on disposal to determine whether impairment is required. In the case of Beattie Avenue, Hunderton Road, Pine Grove, Chestnut Drive and Lutwyche Road where plans are being prepared for the disposal or demolition and tenant consultation has commenced the land value is deemed to be in excess of the net realisable value and therefore there is no requirement to impair these assets.

## 13. Tangible fixed assets – Other

| Group | Land and buildings £'000 | Freehold offices £'000 | Furniture fixtures and fittings £'000 | Computers and other equipment £'000 | Vehicles, plant and equipment £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **At 1 April 2020** | **1,158** | **3,472** | **833** | **5,440** | **1,569** | **12,472** |
| Impairment of Legion Way | - | (146) | - | - | - | **(146)** |
| Transfer from fixed assets | | 192 | | | | **192** |
| Additions | - | 87 | - | 951 | 74 | **1,112** |
| Transfer of Independence Trust From Group | - | (60) | (43) | (69) | - | **(172)** |
| Disposals | (15) | - | - | - | - | **(15)** |
| **At 31 March 2021** | **1,143** | **3,545** | **790** | **6,322** | **1,643** | **13,443** |
| **Capital Grants** | | | | | | |
| **At 1 April 2020** | **-** | **-** | **-** | **6** | **-** | **6** |
| Received in year | - | - | - | - | - | **-** |
| Disposals | - | - | - | - | - | **-** |
| **At 31 March 2021** | **-** | **-** | **-** | **6** | **-** | **6** |
| **Depreciation** | | | | | | |
| **At 1 April 2020** | **186** | **1,428** | **815** | **4,427** | **1,444** | **8,300** |
| Transfer of Independence Trust From Group | - | (60) | (43) | (69) | - | **(172)** |
| Charged in the year | 27 | 121 | 8 | 714 | 42 | **912** |
| Released on disposal | (1) | - | - | - | - | **(1)** |
| **At 31 March 2021** | **212** | **1,489** | **780** | **5,072** | **1,486** | **9,039** |
| **Net book value** | | | | | | |
| **At 31 March 2021** | **931** | **2,056** | **10** | **1,244** | **157** | **4,398** |
| At 31 March 2020 | 972 | 2,044 | 18 | 1,007 | 125 | 4,166 |

## 13. Tangible fixed assets – Other

| Company | | | | Computers and other equipment £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **At 1 April 2020** | | | | 450 | **450** |
| Additions | | | | 481 | **481** |
| Disposals | | | | - | **-** |
| **At 31 March 2021** | **-** | **-** | **-** | **931** | **931** |
| **Depreciation** | | | | | |
| **At 1 April 2020** | | | | **378** | **378** |
| Charged in the year | | | | 159 | **159** |
| Released on disposal | | | | - | **-** |
| **At 31 March 2021** | **-** | **-** | **-** | **537** | **537** |
| **Net book value** | | | | | |
| **At 31 March 2021** | **-** | **-** | **-** | **394** | **394** |
| At 31 March 2020 | - | - | - | 72 | 72 |

## Notes to the financial statements

### 14. Investment properties and non-social housing properties held for letting

| Group | Commercial Property 2021 £'000 | Commercial Property 2020 £'000 |
|---|---|---|
| **Valuation** | | |
| **At 1 April** | **7,228** | **4,880** |
| Additions | 10 | 3,499 |
| Decrease in value | (238) | (971) |
| Disposals | - | (180) |
| **At 31 March** | **7,000** | **7,228** |

Investment properties were valued in 2021 by RICS registered valuers, Savills. Some Investment properties saw further impairments in this valuation. The impairment recognised and more recent market intelligence in relation to funder valuations gives the Board confidence that use of the valuations for the period ending 31 March 2021 is appropriate.

### 15. Stock and properties held for sale

| | 2021 Group £'000 | 2020 Group £'000 | 2021 Company £'000 | 2020 Company £'000 |
|---|---|---|---|---|
| **Stock and work in progress:** | **667** | **522** | **-** | **-** |
| **Properties held for sale** | | | | |
| Shared ownership properties: | | | | |
| Completed properties | 1,456 | 204 | - | - |
| Work in progress | 3,337 | 3,417 | - | - |
| Properties developed for outright sa | 8,535 | 15,052 | - | - |
| **Properties held for sale** | **13,328** | **18,673** | **-** | **-** |

## Notes to the financial statements

### 16. Trade and other debtors: amounts falling due within one year

| | 2021 Group £'000 | 2020 Group £'000 | 2021 Company £'000 | 2020 Company £'000 |
|---|---|---|---|---|
| Rent and service charges receivable | 1,508 | 1,153 | - | - |
| Less: Provision for bad and doubtful debts | (828) | (646) | - | - |
| Net rent arrears | **680** | **507** | **-** | **-** |
| Other debtors | 724 | 764 | 58 | 150 |
| Social housing grant receivable | - | - | - | - |
| Amounts owed by group undertakings | - | - | 4,330 | 1,845 |
| Other taxation and social security | 162 | 91 | 174 | - |
| Prepayments and accrued income | 2,429 | 2,733 | - | 133 |
| | **3,315** | **3,588** | **4,562** | **2,128** |

### 17. Debtors: amounts due after more than one year:

| | 2021 Group £'000 | 2020 Group £'000 | 2021 Company £'000 | 2020 Company £'000 |
|---|---|---|---|---|
| Improvement works | 6,708 | 7,882 | - | - |
| Prepayments due after more than one year | 79 | 54 | - | - |
| Loan to third party organisation | 250 | 250 | - | - |
| Less: Provision for bad and doubtful debt | (250) | (250) | - | - |
| | **6,787** | **7,936** | **-** | **-** |

Improvement works relate to expenditure agreed to as part of the stock transfer of Connexus Housing Three (Meres & Mosses)

### 18. Cash and short-term investments

| | 2021 Group £'000 | 2020 Group £'000 | 2021 Company £'000 | 2020 Company £'000 |
|---|---|---|---|---|
| Short-term investments | 31,889 | 55,228 | 482 | 1,393 |
| Cash and cash equivalents | 5,685 | 3,413 | 6 | 9 |
| | **37,574** | **58,641** | **488** | **1,402** |

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

| | 2021 Group £'000 | 2020 Group £'000 | 2021 Company £'000 | 2020 Company £'000 |
|---|---|---|---|---|
| Loans | 2,489 | 6,416 | - | - |
| Trade creditors | 4,970 | 5,738 | 1,084 | 385 |
| Council's share of Right to Buy | - | - | - | - |
| Rent and service charges received in advance | 2,654 | 2,275 | - | - |
| Other taxation and social security | 589 | 216 | - | - |
| Accruals and deferred income | 5,710 | 5,612 | 199 | 11 |
| Other creditors | 1,001 | 967 | 3 | 1 |
| Recycled capital grant fund (Note 22) | - | - | - | - |
| Deferred grant income (Note 21) | 563 | 618 | - | - |
| Amounts owed to group undertakings | - | - | 1,201 | 494 |
| Receipts in advance | 939 | 914 | - | - |
| | **18,915** | **22,756** | **2,487** | **891** |

## Notes to the financial statements

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

| | 2021 Group £'000 | 2020 Group £'000 | 2021 Company £'000 | 2020 Company £'000 |
|---|---|---|---|---|
| Loans (Note 23 & Note 29) | 222,530 | 241,105 | - | - |
| Less: issue costs | (2,017) | (1,976) | - | - |
| Recycled capital grant fund (Note 22) | 77 | 172 | - | - |
| Deferred income | - | - | - | - |
| Deferred grant income (Note 21) | 61,585 | 58,139 | - | - |
| Deferred bond premium | 4,615 | 4,725 | - | - |
| Improvement works | 6,708 | 7,882 | - | - |
| | **293,498** | **310,047** | **-** | **-** |

### 21.Deferred grant income

| | 2021 Group £'000 | 2020 Group £'000 | 2021 Company £'000 | 2020 Company £'000 |
|---|---|---|---|---|
| **At 1 April** | 58,757 | 54,349 | - | - |
| Grant received in the year | 4,061 | 5,125 | - | - |
| Grant received in advance | - | - | - | - |
| Released to income in the year | (670) | (717) | - | - |
| **At 31 March** | **62,148** | **58,757** | **-** | **-** |
| Amounts to be released within one year | 563 | 618 | - | - |
| Amounts to be released in more than one year | 61,585 | 58,139 | - | - |
| **At 31 March** | **62,148** | **58,757** | **-** | **-** |

### 22.Recycled capital grant fund

| Group | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **At 1 April** | **172** | **175** |
| Grants recycled | - | 68 |
| Interest accrued | - | - |
| Withdrawals | (95) | (71) |
| | **77** | **172** |
| Repayment of grant | - | - |
| **At 31 March** | **77** | **172** |
| **Amount of grant due for repayment** | - | - |

### 23.Debt analysis

| Group | Source | Terms of repayment | 2021 £'000 | 2020 £'000 |
|---|---|---|---|---|
| RBS / Newcastle | SHTL | 19 years | 28,851 | 46,000 |
| RBS Revolver | SHTL | 5 years | 35,050 | 40,000 |
| Canada Life | SHTL | 26 years | 25,000 | 25,000 |
| Shropshire Council | SSHA | 16-20 years | 8,118 | 8,521 |
| Lloyds Bank | SHTL | 17 years | 8,000 | 8,000 |
| Bond Finance | H.Capital | 29 years | 120,000 | 120,000 |
| **Total borrowings** | | | **225,019** | **247,521** |

The above funding has been sourced directly by the Registered Providers or by the funding vehicles Shropshire Housing Treasury Limited (SHTL) or Herefordshire Capital (H.Cap) and on-lent to the Registered Providers on the above terms.

## Notes to the financial statements

Loans are fully secured against properties charged to the Prudential Security Trustee.

## 24. Financial Commitments

| | 2021 Group £'000 | 2020 Group £'000 | 2021 Company £'000 | 2020 Company £'000 |
|---|---|---|---|---|
| Authorised expenditure not contracted | 151,147 | 145,834 | - | - |
| Authorised expenditure contracted | 33,661 | 28,934 | - | - |
| | **184,808** | **174,768** | **-** | **-** |

At the reporting date the Group had £5.7m of cash and cash equivalents, £31.9m short term investments and £15.0m of approved undrawn funding. The remaining £132.2m is expected to be funded by reserves, future surpluses, Social Housing Grant, loan finance and new build asset sales.

The Group and Company were committed to making the following future minimum lease payments under non-cancellable operating leases:

| | 2021 Group £'000 | 2020 Group £'000 | 2021 Company £'000 | 2020 Company £'000 |
|---|---|---|---|---|
| Due within one year | 373 | 600 | - | - |
| Due within two and five years | 827 | 1,441 | - | - |
| | **1,200** | **2,041** | **-** | **-** |

## 25. Provisions for liabilities

The leave pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost for the period of absence.

| **Group** | Leave Pay £'000 | SP Contracts £'000 | Dilapidations £'000 | Groundworks £'000 | Total £'000 |
|---|---|---|---|---|---|
| **At 1 April 2020** | 197 | 70 | - | 63 | **330** |
| Additions | 57 | - | - | - | **57** |
| Reversals | (11) | - | - | (46) | **(57)** |
| **At 31 March 2021** | **243** | **70** | **-** | **17** | **330** |

| **Company** | Leave Pay £'000 | SP Contracts £'000 | Dilapidations £'000 | Groundworks £'000 | Total £'000 |
|---|---|---|---|---|---|
| **At 1 April 2020** | 45 | - | - | - | **45** |
| Additions | 26 | - | - | - | **26** |
| Reversals | - | - | - | - | **-** |
| **At 31 March 2021** | **71** | **-** | **-** | **-** | **71** |

## 26. Called up share capital

| | 2021 Group £ | 2020 Group £ | 2021 Company £ | 2020 Company £ |
|---|---|---|---|---|
| *Issued and fully paid shares of £1 each:* | | | | |
| At 1 April | 76 | 96 | 10 | 8 |
| Issued during the year | 6 | 24 | - | 4 |
| Relinquished during the year | (9) | (44) | - | (4) |
| **At 31 March** | **73** | **76** | **10** | **8** |

The shareholders do not have the right to dividends, redemptions or distributions.

## Notes to the financial statements

### 27. Reconciliation of operating surplus to net cash flow from operating activities

| Group | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|
| **Operating surplus** | 18,333 | 18,078 |
| Depreciation of housing properties | 8,471 | 8,695 |
| Depreciation of other fixed assets | 912 | 860 |
| Impairment of other fixed assets | 146 | 1,709 |
| Movement in valuation of investment properties | 238 | 971 |
| Carrying value of assets disposals | 720 | 1,678 |
| Movement in properties held for sale | 5,345 | (1,040) |
| Movement in stock | (145) | (179) |
| Movement in debtors | 1,249 | 1,194 |
| Movement in creditors | (1,283) | 541 |
| Movement in provisions | (1) | (97) |
| Pension cost less contributions payable | 249 | 604 |
| Taxation | (48) | 62 |
| Write back of fixed assets | - | (1,526) |
| Government grants utilised in the year | (670) | (717) |
| **Net cash flow from operating activities** | 33,516 | 30,833 |

### 28. Reconciliation of net cash flow to movement in debt

| Group | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|
| (decrease) / increase of cash in the year | 2,272 | 993 |
| Cash flow from (decrease) / increase in liquid resources | (23,339) | 19,555 |
| Cash flow from (decrease) / increase in debt | 22,502 | (24,820) |
| **Decrease in net debt from cash flows** | **1,435** | **(4,272)** |
| **Net debt at 1 April** | **(186,844)** | **(182,572)** |
| **Net debt at 31 March** | **(185,409)** | **(186,844)** |

### 29. Analysis of changes in net debt

| Group | 1 April 2020<br>£'000 | Cashflow<br>£'000 | 31 March 2021<br>£'000 |
|---|---|---|---|
| Cash | 3,413 | 2,272 | 5,685 |
| Short term investments | 55,228 | (23,339) | 31,889 |
| | 58,641 | (21,067) | 37,574 |
| Debt (loans) | (247,521) | 22,502 | (225,019) |
| Debt (finance leases) | - | - | - |
| Issuance costs | 2,036 | - | 2,036 |
| | (186,844) | 1,435 | (185,409) |

## Notes to the financial statements

### 30.Financial assets and liabilities

Other than short-term debtors, financial assets held are cash deposits at bank or placed on money markets at call or invested in sterling gilts. They attract interest at variable rates and amounts held are shown below:

| | 2021 Group £'000 | 2020 Group £'000 | 2021 Company £'000 | 2020 Company £'000 |
|---|---|---|---|---|
| Call account deposits & gilts | | | | |
| (On which floating interest is earned) | 31,889 | 55,228 | - | 1,393 |
| Current account deposits | | | | |
| (On which no interest is earned) | 5,685 | 3,413 | - | 9 |
| **Total financial assets** | **37,574** | **58,641** | **-** | **1,402** |

**Financial liabilities excluding trade creditors ***

* Based on final repayment date

| **Group** | **2021 £'000** | **2020 £'000** |
|---|---|---|
| Under one year | - | - |
| Within two to five years | 35,050 | 40,000 |
| After five years | 189,969 | 207,521 |
| | | |
| **Interest rate basic:** | | |
| Fixed | 84% | 80% |
| Floating | 16% | 20% |

The weighted average percentage of financial liabilities is 4.26% in 2021. (2020: 4.18%).

### Financial risk management

**Risk Management**

The Corporate Finance team is responsible for the management of funds and control associated risks. Its activities are governed by the Group Board who are responsible for treasury issues in all Connexus Housing Limited legal entities which include this Company.

**Interest rate risk**

The Group currently borrows on a fixed rate basis from the capital market through Herefordshire Capital which on-lends these funds to Connexus Housing Two Limited which then on-lends to the other entities in the Group on a similar fixed rate basis. The group also borrows at floating rates through its RCF facility within Shropshire Housing Treasury Limited.

The Group does not have any hedging activities and it does not have any derivatives.

The interest rate on all Herefordshire Capital borrowing is fixed at 4.193% until 2049.

### 31.Contingent liabilities

As at 31 March 2021 the Company had nil contingent liabilities (£nil 2020)

## Notes to the financial statements

## 32.Pensions

All the Company's employees are eligible for membership of the Shropshire County Pension Fund (SCPF), Worcester County Council Pension Fund (WCCPF) or the Social Housing Pension Scheme (SHPS). Further information on each scheme is given below.

| | 2021 Group £'000 | 2020 Group £'000 |
|---|---|---|
| **Total pension liability comprises of:** | | |
| SHPS liability for CH1L | 4,011 | 1,796 |
| SHPS liability for CH2L | 353 | 158 |
| Shropshire Council (LGPS) for CH1L | 274 | 465 |
| Shropshire Council (LGPS) for CH3L | 2,390 | 2,100 |
| Worcester County Council (LGPS) for CH2L | 14,091 | 11,877 |
| | **21,119** | **16,396** |

### Shropshire County Pension Fund (SCPF)

The Shropshire County Pension Fund is a local Government Pension Scheme and is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The last actuarial valuation was completed as at 31 March 2019. At this date the market value of the whole scheme assets at the last valuation date was £1,915m.

The market value of the Group's share of the scheme assets at 31 March 2021 was £10.773m (£9.419m 2020) representing a funding level of 80% (2020: 79%) based on liabilities valued on actuarial assumptions. Liabilities had a market value of £13.437m (£11.984m 2020).

Employers' contributions to the SCPF by the Group for the year ended 31 March 2021 were £0.115m (£0.416m 2020). Employer's contribution rates were 0% CH1L and 22.3% CH3L during the financial year (2020: 27.1% CH1L, 21% CH3L and) plus an annual past service deficit payment of £0m (£0.14m 2020).

Since the 2019 valuation, the overall average primary employer contribution rate has been 16.6% of pensionable pay, plus £9m per annum in Secondary contributions set at individual levels on the basis that deficits are recovered over 19 years. In the absence of other factors, the contributions at the above level would mean a gradual improvement so that the Fund would have increased to 100% at the end of the 19 years. Employers can also opt to make an additional contribution to cover the McCloud judgement, Connexus has opted to do so, and it is included in the Secondary rate.

In practice, each employer's position is assessed, and separate employer contribution rates are set based on individual employer circumstances.

There is no provision for unitising the assets of the SCPF under the Local Government Pension Scheme Regulations. The above assets are allocated as a whole to participating bodies on a consistent and reasonable basis and overall investment performance is attributed to employers on a pro-rata basis (i.e. a notional individual employer investment strategy that is identical to that adopted for the Scheme as a whole).

## Notes to the financial statements
## 32. Pensions (continued)

### Assumptions (SCPF)

The principal assumptions at the Statement of financial position date are:

| Financial assumptions | 2021 % per annum | 2020 % per annum |
|---|---|---|
| Inflation assumption (CPI) | 2.70 | 2.10 |
| Future salary increases | 3.95 | 3.35 |
| Future pension increases | 2.80 | 2.20 |
| Discount rate | 2.10 | 2.40 |

| Post retirement mortality assumptions: | 2021 No. of Years | 2020 No. of Years |
|---|---|---|
| **Retiring today:** | | |
| Current pensioners - Male | 23.0 | 22.9 |
| - Female | 25.1 | 25.0 |
| **Retiring in 20 years:** | | |
| Future pensioners - Male | 24.3 | 24.2 |
| - Female | 26.7 | 26.6 |

### Analysis of the amount charged to the Statement of Comprehensive Income: (SCPF)

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Current service costs | 180 | 214 |
| Past Service Costs | - | 98 |
| Employer Contribution | (115) | (416) |
| Administration expenses | 3 | 3 |
| Curtailments | 22 | 220 |
| **Amounts charged to operating costs** | **90** | **119** |

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Interest on pension liabilities | 284 | 276 |
| Expected return on assets | (224) | (232) |
| **Total pension gain charged to other finance income** | **60** | **44** |

### Statement of total recognised surpluses and deficits: (SCPF)

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Remeasurements (liabilities and assets) | (51) | 418 |

## Notes to the financial statements

### Analysis of the amount recognised in the Statement of Financial Position (SCPF)

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Present value of funded benefit obligations | 13,437 | 11,984 |
| Fair value of plan assets | (10,773) | (9,419) |
| **Deficit related to the Group** | **2,664** | **2,565** |

### Change in benefit obligation during financial year to 31 March (SCPF)

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Opening scheme liabilities | 11,984 | 11,585 |
| Current service cost | 180 | 214 |
| Interest on pension liabilities | 284 | 276 |
| Member contributions | 37 | 40 |
| Past service cost (gain) | - | 98 |
| Re-measurements - loss: experience | (218) | 657 |
| Re-measurements - gain: assumptions | 1,511 | (741) |
| Curtailments | 22 | 220 |
| Benefits paid | (363) | (365) |
| **Present value of benefit obligation at end of the year** | **13,437** | **11,984** |

### Change in plan assets during financial year to 31 March (SCPF)

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Opening fair value of plan assets | 9,419 | 9,601 |
| Interest on plan assets | 224 | 232 |
| Remeasurements (assets) | 1,344 | (502) |
| Administration expenses | (3) | (3) |
| Employer contributions | 115 | 416 |
| Member contributions | 37 | 40 |
| Benefits / transfers paid | (363) | (365) |
| **Closing fair value of plan assets** | **10,773** | **9,419** |

The actual return on the plan assets was £1.569m (£0.402m deficit 2020).

### Analysis of plan assets (SCPF)

The major categories of plan assets as a percentage of total plan assets are:

| | 2021 % | 2020 % |
|---|---|---|
| Equities | 50.4 | 50.0 |
| Other bonds | 21.1 | 22.3 |
| Property | 3.9 | 4.3 |
| Cash / Liquidity | 0.3 | 1.3 |
| Other | 24.3 | 22.1 |

The Group expects to contribute £0.102m to this defined benefit pension plan in 2021/22.

## Notes to the financial statements

### History of experience gains and losses (SCPF)

| | 2021 £'000 | 2020 £'000 | 2019 £'000 | 2018 £'000 | 2017 £'000 |
|---|---|---|---|---|---|
| Defined benefit obligation | (13,437) | (11,984) | (11,585) | (11,327) | (11,424) |
| Plan assets | 10,773 | 9,419 | 9,601 | 9,626 | 9,402 |
| **(Deficit)** | **(2,664)** | **(2,565)** | **(1,984)** | **(1,701)** | **(2,022)** |
| (Losses) / gains on plan liabilities | (1,293) | 84 | (583) | 395 | (1,569) |
| Gains / (losses) on plan assets | 1,344 | (502) | 283 | (70) | 1,356 |

### Worcestershire County Council Pension Fund (WCCPF)

The WCCPF is a multi-employer scheme with more than one participating employer, which is administered by Worcestershire County Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.

Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The last actuarial valuation was completed as at 31 March 2019.

The market value of the overall scheme assets at 31 January 2021 was £3,277m.

The market value of the Company's share of the scheme assets at 31 March 2021 was £32.377m (£25.934m 2020) representing a funding level of 70% (2020: 69%) based on liabilities valued on actuarial assumptions. Liabilities had a market value of £46.468m (£37.811m 2020).

Employers' contributions to the WCCPF by the Company for the year ended 31 March 2021 were £0.71m (£0.69m 2020).

The Company's employer's contribution rate was 17.5% during the financial year (2020: 13.9%).

Since the 2019 valuation, the overall average employer primary contribution rate has been 17.5% of pensionable pay, plus £28m per annum with secondary contribution rates set an individual scheme basis on the basis that deficits are recovered over 15 years. In the absence of other factors, the contributions at the above level would mean a gradual improvement so that the Fund would have increased to 100% at the end of the 15 years. Employers can also opt to make an additional contribution to cover the McCloud judgement, Connexus has opted to do so, and it is included in the Secondary rate.

In practice, each employer's position is assessed, and separate employer contribution rates are set based on individual employer circumstances.

There is no provision for unitising the assets of the WCCPF under the Local Government Pension Scheme Regulations. The above assets as a whole are allocated to participating bodies on a consistent and reasonable basis and overall investment performance is attributed to employers on a pro-rata basis (i.e. a notional individual employer investment strategy that is identical to that adopted for the Scheme as a whole).

## Notes to the financial statements
## Assumptions (WCCPF)

### The principal assumptions at the Statement of Financial Position date are:

| Financial assumptions | 2021 %per | 2020 %per |
|---|---|---|
| Inflation assumption (CPI) | 2.7 | 2.1 |
| Future salary increases | 4.2 | 3.6 |
| Future pension increases | 2.8 | 2.2 |
| Discount rate | 2.1 | 2.4 |

| Mortality assumptions | 2021 No. of Years | 2020 No. of Years |
|---|---|---|
| **Retiring today:** | | |
| Current pensioners - Male | 22.7 | 22.6 |
| - Female | 25.1 | 25.0 |
| **Retiring in 20 years:** | | |
| Future pensioners - Male | 24.4 | 24.2 |
| - Female | 27.1 | 27.0 |

### Analysis of the amount charged to the Statement of Comprehensive Income (WCCPF)

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Current service costs | 1,227 | 1,380 |
| Past service costs | - | 89 |
| Employer contribution | (709) | (687) |
| Administration expenses | 15 | 17 |
| Curtailments | - | - |
| **Amounts charged to operating costs** | **533** | **799** |

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Interest on pensions liabilities | 904 | 934 |
| Expected return on assets | (634) | (677) |
| **Total pension gain charged to other finance income** | **270** | **257** |

### Statement of total recognised surpluses and deficits (WCCPF)

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Remeasurements (liabilities & assets) | (1,411) | (188) |

## Notes to the financial statements

### Analysis of the amount recognised in the Statement of Financial Position (WCCPF)

**Year ended 31 March**

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Present value of funded benefit obligations | 46,468 | 37,811 |
| Fair value of plan assets | (32,377) | (25,934) |
| **Deficit related to the Company** | **14,091** | **11,877** |

## 32. Pensions (continued)

### Change in benefit obligation during financial year to 31 March (WCCPF)

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Opening scheme liabilities | 37,811 | 37,516 |
| Current service cost | 1,227 | 1,380 |
| Interest on pension liabilities | 904 | 934 |
| Member contributions | 269 | 290 |
| Past service cost / (gain) | - | 89 |
| Re-measurements - loss: experience | (812) | (463) |
| Re-measurements - gain: assumptions | 7,724 | (1,252) |
| Curtailments | - | - |
| Benefits paid | (655) | (683) |
| **Present value of benefit obligation at end of the year** | **46,468** | **37,811** |

### Change in plan assets during financial year to 31 March (WCCPF)

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Opening fair value of plan assets | 25,934 | 26,883 |
| Administration expenses | 634 | 677 |
| Remeasurements (assets) | 5,501 | (1,903) |
| Administration expenses | (15) | (17) |
| Employer contributions | 709 | 687 |
| Member contributions | 269 | 290 |
| Benefits / transfer paid | (655) | (683) |
| **Closing fair value of plan assets** | **32,377** | **25,934** |

The actual return on the plan assets was £6.134m (£1.256m deficit 2020).

### Analysis of plan assets (WCCPF)

The major categories of plan assets as a percentage of total plan assets are:

| | 2021 % | 2020 % |
|---|---|---|
| Equities | 84.9 | 70.6 |
| Government Bonds | - | 7.3 |
| Other bonds | 0.1 | 5.0 |
| Property | 4.7 | 5.8 |
| Cash / Liquidity | - | 0.6 |
| Other | 10.3 | 10.7 |

The company expects to contribute £0.635m to its defined benefit pension plan in 2021/22.

## Notes to the financial statements
## 32. Pensions (continued)

**History of experience gains and losses (WCCPF)**

| | 2021 £'000 | 2020 £'000 | 2019 £'000 | 2018 £'000 | 2017 £'000 |
|---|---|---|---|---|---|
| Defined benefit obligation | (46,468) | (37,811) | (37,516) | (32,961) | (32,024) |
| Plan assets | 32,377 | 25,934 | 26,883 | 25,314 | 23,447 |
| **(Deficit)** | **(14,091)** | **(11,877)** | **(10,633)** | **(7,647)** | **(8,577)** |
| (Losses) / gains on plan liabilities | (6,912) | 1,715 | (2,261) | 1,566 | (4,749) |
| Gains / (Losses) on plan assets | 5,501 | (1,903) | 344 | 271 | 3,708 |

### Social Housing Pension Scheme (SHPS)

Social housing pension scheme is a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

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

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

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

For financial years ending on or before 28 February 2019, it was not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme, therefore the company has accounted for the scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31

March 2019 to 29 February 2020 inclusive.

Similarly, actuarial valuations of the scheme were carried out as at 30 September 2019 to inform the liabilities for the accounting year ends from 31 March 2020 to 28 February 2021 inclusive, and as at 30 September 2020 to inform the liabilities for accounting year ends from 31 March 2021 to 28 February 2022 Inclusive.

The liabilities are compared, at the relevant accounting date, with the company's fair value share of the Schemes total assets to calculate the company's net deficit or surplus.

## Notes to the financial statements

## 32. Pensions (continued)

### Assumptions (SHPS)

**The principal assumptions at the Statement of Financial Position date are:**

| Financial assumptions | CH1L 2021 % per annum | CH1L 2020 % per annum | CH2L 2021 % per annum | CH2L 2020 % per annum |
|---|---|---|---|---|
| Discount rate | 2.21 | 2.35 | 2.14 | 2.39 |
| Inflation (RPI) | 3.22 | 2.55 | 3.30 | 2.65 |
| Inflation (CPI) | 2.87 | 1.55 | 2.85 | 1.65 |
| Salary growth | 3.87 | 2.55 | 3.85 | 2.65 |
| Allowance for commutation of pension for cash at retirement | 75% of max allow | 75% of max allow | 75% of max allow | 75% of max allow |

### Statement of total recognised surpluses and deficits: (SHPS)

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Difference on transition from defined contribution to defined benefit accounting | | |
| Past service deficit liability as at 1 April de-recognised | - | - |
| Net pension scheme deficit under defined benefit | - | - |
| **Loss recognised in other comprehensive income on initial recognition as at 1 April** | **-** | **-** |
| Remeasurements in year (liabilities & assets) | (2,743) | 2,188 |
| **Total loss: recognised in other comprehensive income for year ended 31 March** | **(2,743)** | **2,188** |

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies

| Post retirement Mortality assumptions: | Life expectancy at age 65 Years 2021 | Life expectancy at age 65 Years 2020 |
|---|---|---|
| **Retiring today:** | | |
| Current pensioners - Male | 21.6 | 21.5 |
| - Female | 23.5 | 23.3 |
| **Retiring in 20 years:** | | |
| Future pensioners - Male | 22.9 | 22.9 |
| - Female | 25.1 | 24.5 |

### Analysis of the amount charged to the Statement of Comprehensive Income (SHPS)

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Current service costs | 61 | 128 |
| Employer Contribution | (451) | (458) |
| Expenses | 16 | 16 |
| **Amounts charged to operating costs** | **(374)** | **(314)** |
| Interest on pension liabilities | 341 | 385 |
| Expected return on assets | (300) | (285) |
| **Amounts charged to other finance costs** | **41** | **100** |
| **Total recognised in statement of comprehensive income** | **(333)** | **(214)** |

## Notes to the financial statements
## 32. Pensions (continued)

### Analysis of the amount recognised in the Statement of financial position (SHPS)

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Present value of funded benefit obligations | 18,629 | 14,547 |
| Fair value of plan assets | (14,265) | (12,593) |
| **Deficit related to the Group** | **4,364** | **1,954** |

### Change in benefit obligation during financial year to 31 March (SHPS)

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Opening benefit obligation | 14,547 | 16,331 |
| Current service cost | 61 | 128 |
| Expenses | 16 | 16 |
| Interest Cost | 341 | 385 |
| Member contributions | 123 | 139 |
| Actuarial losses (gains) - Experience | (457) | 27 |
| Actuarial losses (gains) - Demographics | 63 | (138) |
| Actuarial losses (gains) - Financial | 4,230 | (2,032) |
| Curtailments | - | - |
| Benefits paid and expenses | (295) | (309) |
| **Closing benefit obligation** | **18,629** | **14,547** |

### Change in plan assets during year to 31 March (SHPS)

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Opening fair value of plan assets | 12,593 | 11,975 |
| Interest income | 300 | 285 |
| Remeasurements - Experience gain / (loss) | 1,093 | 45 |
| Employer contributions | 451 | 458 |
| Member contributions | 123 | 139 |
| Benefits paid and expenses | (295) | (309) |
| **Closing fair value of plan assets** | **14,265** | **12,593** |

The actual return on the plan assets (including any change in share of assets) over the period ended 31 March 2021 was £1.393m (£0.330m 2020).

## Notes to the financial statements

### Analysis of plan assets (SHPS)

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Global equity | 2,273 | 1,842 |
| Absolute return | 788 | 657 |
| Distressed opportunities | 412 | 243 |
| Credit relative value | 449 | 345 |
| Alternative risk premia | 537 | 880 |
| Fund of hedge funds | 1 | 7 |
| Emerging market debt | 576 | 382 |
| Risk sharing | 519 | 425 |
| Insurance-linked securities | 342 | 386 |
| Property | 297 | 277 |
| Infrastructure | 951 | 938 |
| Private debt | 340 | 253 |
| Opportunistic liquid credit | 363 | 305 |
| High Yield | 427 | - |
| Opportunistic Credit | 392 | - |
| Corporate bond fund | 843 | 718 |
| Liquid credit | 171 | 5 |
| Long lease property | 279 | 218 |
| Secured income | 593 | 478 |
| Over 15 year Ggilts | - | - |
| Liability driven investment | 3,625 | 4,180 |
| Net current assets | 87 | 54 |
| **Total assets** | **14,265** | **12,593** |

## 33. Related party transactions

### Grow, Cook, Learn and Discovery Centre

The Discovery Centre was purchased from the Council in 2016. A lease agreement is in place with Grow, Cook, Learn and SLA's to deliver various functions such as accounts preparation, HR and IT services. Connexus Housing One Ltd has on lent £0.25m as at the statement of financial position date.

### Defined Benefit Pension Schemes

Related party transactions exist between Connexus Group and SHPS in CH1L & CH2L and the SCPF in CH1L & CH3L and the WCCPF in CH2L these relate to Defined Benefit pension schemes as disclosed at Note 32.

## 34. Disclosure of group activity

### Intra group transactions

Debtor and creditor balances between members of the Group are either debt subject to a market rate of interest, or trading balances which are non-interest bearing and are due to be settled within one year of their recognition. Costs are recharged to non-regulated entities within the group at cost plus 5%.

Connexus Housing Limited provides corporate services across the group entities.

Connexus Housing Two Limited provides corporate, ICT support and infrastructure across all the group entities.

Central overheads have then been allocated equitably across the group, with subsidiaries recharged on an apportionment basis predominantly determined by time allocations across business areas or property numbers.

Connexus Housing Two Limited provided telecare services to both Connexus Housing Three and Connexus Housing One during the year.

## Notes to the financial statements

Connexus Enterprise Limited has not undertaken any maintenance and improvement work for any Connexus Registered Provider in the year with maintenance work being undertaken directly by the Registered providers since 1 April 2021 (2020 £5.359m). These charges were based upon a combination of actual cost, agreed schedule of rates and average price per property. Connexus Enterprise Ltd also administers the facilities management for the Gateway on behalf of Connexus Housing Limited.

Floreat Living Ltd. is a subsidiary of Connexus Housing Limited providing design build and property sales services for the open market properties.

Floreat Developments Ltd and Rise Partnerships Development Limited charge the RPs at cost plus 5%

In accordance with FRS102, the group has taken advantage of the exemption from disclosing transactions or balances with entities which form part of the group.