

**Silva Homes Limited**

A registered society under the Co-operative and Community Benefit Societies Act  
2014 no: 30230R

**Silva Homes Limited**

Annual report and financial statements

For the year ended 31 March 2020

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## General information

### Board members

The Silva board members who held office during the year and to the date of signing the financial statements were as follows:

Graeme Stanley	Chair
Iain Bacon	Chair of Audit Committee
Candace Valiunas	Chair of Remuneration Committee
Amanda Williams	
Elizabeth Egan	(resigned on 11 May 2020)
Valerie Knott	
Karen Morris-Lanz	
Geoff Saunders	(resigned on 6 April 2020)
Alan Ward	

All the board members are non-executive, apart from Alan Ward.

### Executive directors

The executive directors who held office during the year and to the date of signing were as follows:

Alan Ward	Chief Executive
Robert Smyth	Executive Director (People, Digital & Change)
John Andrew	Executive Director (Finance & Procurement)
Laura Johnson	Executive Director (Assets & Growth)
Dasos Christou	Executive Director (Customer Relations) - appointed 5 August 2019
Linda Wells	Executive Director (Customer Services) - retired 30 April 2019
Clare King	Interim Executive Director (Customer Relations) 1 May 2019 to 4 August 2019

**Registered office:** Western Peninsula  
Western Road  
Bracknell  
Berkshire RG12 1RF

**Secretary:** Valerie Lynch

**Co-operative and Community Benefit Societies Act registration number:** 30230R

**Regulator of Social Housing registration number:** L4513

**Auditor:** Mazars LLP  
45 Church Street  
Birmingham B3 2RT

**Bankers:** Barclays plc  
One Churchill Place  
London E14 5HP

**Solicitors:** Trowers & Hamlins  
3 Bunhill Row  
London EC1Y 8YZ

Devonshires Solicitors LLP  
Finsbury Circus  
London EC2M 7DT

Clarke Willmott  
1 Georges Square  
Bristol BS1 6BA

## **Group structure**

At 31 March 2020, the group comprised the parent Silva Homes and Forest Future Homes, a wholly owned subsidiary and company limited by shares. Forest Future Homes is registered in the UK (no: 8814651). Within the financial statements, the consolidated financial position is referred to as 'group' and the parent entity financial position is referred to as 'association'.

## Strategic report

The directors present their strategic report on the affairs of the group together with the financial statements and auditor's report for the year ended 31 March 2020. The basis of preparation of the statements is explained in Note 2 on page 55.

### Background of the business

The business commenced trading on 11 February 2008 when Silva Homes Limited (formerly known as Bracknell Forest Homes Limited) received the transfer of its housing stock from Bracknell Forest Council. The association is a charitable organisation and managed 6,620 rented and 1,084 leasehold homes as at 31 March 2020.

The association's principal activities are the management, maintenance, improvement, and development of social housing. The principal activity of Forest Future Homes Limited is the provision of design and build construction services.

In the first five years of operation the focus was on improving the transferred stock in accordance with the promises made to customers before transfer. Having met the promises and exceeded the financial targets in our initial financial plan, the focus shifted to growth. At 31 March 2020 we have built a total of 779 new properties including 188 in the year. We also acquired 348 homes from another housing association in 2013.

### Business model

The group derives the majority of its income from the supply of properties at sub-market rent levels. Most of our properties are let to general needs tenants who have been nominated from local authority waiting lists, although the group does have the option of maintaining its own waiting lists for some of the properties notably within the Bracknell Forest area.

As well as adding to its stock of rental properties, the group also develops new properties for shared ownership. New rental properties are funded from borrowings and cash flow generated from operations. Shared ownership properties are also partly funded by the sale of the initial equity tranche and sales of subsequent tranches (staircasing).

### Purpose, vision and objectives

Our purpose is: *Improving lives by providing the stability of a home and supporting communities - investing today for a secure tomorrow.*

Our vision is: *To be trusted for the quality of the homes and services we provide.*

Our three strategic objectives are:

- *To optimise assets to meet the needs of current and future customers.*
- *To deliver seamless services that enable self-sufficiency, safeguard assets and maximise income.*
- *To apply all our resources efficiently and effectively, optimise capacity and create an agile and assured business.*

The current strategic plan was approved in March 2018 by the Silva board. It was a three-year plan covering the period 2018-21. During the financial year we passed the mid-point of the plan 2018-21 and our three business strategies. The comprehensive midterm reviews carried out in light of changes in the external operating environment and the progress we have made against our objectives and business transformation programme, showed how much we had achieved in a short time.

From where we started to where we were 18 months into the plan, guided by renewed clarity of purpose and vision, it was clear we had made significant progress in many areas of the business. We also concluded that there were factors that had impacted on our ability to achieve the timescales originally set out in the plan and the strategies. These factors included the regulatory in-depth assessment (IDA) in 2018; the scale and complexity of the organisational redesign in 2019; the need to get sequencing right (for example the new digital platform underpinned the new service model); and of course there were changes in the external operating environment over that period (such as prolonged Brexit uncertainty).

Overall, the conclusion of the midterm review was that we are clear where we need to go and the areas we still need to focus on. The Silva board therefore agreed in December 2019 to roll the plan and the strategies forward one year and reset our targets to be delivered by March 2022. Some adjustments were made to strategic priorities during the midterm review mainly in relation to our asset strategy covering the development of new homes and investment in existing housing stock.

The key elements of the strategic plan and its delivery are:

- Maximisation of development - to use financial capacity effectively in providing as many homes as possible. The type of product, geography and procurement approach is discussed further in the development section below. The strategic plan sets out an objective to delivery 1,100 new homes over a five-year period with an aspiration to increase supply subject to ensuring sufficient resources were available to invest in existing stock.
- Investing in existing stock - to ensure the right level of resource is available to maintain our homes to the agreed standard, keep our customers safe, whilst

enhancing value of the business. The approach being adopted is discussed further in the stock investment section below.

- Funding growth - developing a new treasury plan to ensure the funding structure in place remains appropriate to support the cost-effective growth of the business through strong relationships with our funders. This is discussed further in the treasury section below.
- New operating model - evolving a smarter and more flexible way of working and delivering services to customers supported by investment in new digital technology. A total of £5m across the five years from 2018 was set aside to fund the investment required to achieve this objective.
- Organisational redesign and cultural change - developing and implementing new organisational structures in three phases covering all parts of the business creating better alignment with our objectives; recruiting and retaining colleagues and developing initiatives that move us towards a culture that embraces the principles of accountability, creativity and engagement.

## External influences

The association operates in a challenging political, socio-economic environment with significant emerging pressures at the end of the year on our operational performance and compliance due to the Covid-19 pandemic and lock-down measures introduced by the UK government. Nevertheless, we continue to demonstrate that we are and remain a strong and financially viable business able to withstand the impacts of these changes.

The global and national impact of the spread of coronavirus from its first emergence in China in December 2019, was the key issue affecting almost every aspect of our external operating environment and we anticipate that it will remain the case through the first half of 2020/21 and most likely for the rest of the year if not longer. Despite a slow initial response, we saw an unprecedented set of measures taken by the government by year end including: a national lock-down with rules on social distancing and shielding of the most vulnerable; the closure of non-essential businesses and restrictions on travel; and a significant package of financial support for employees, the self-employed and businesses.

Our own robust emergency planning response saw us close our offices, set up home working for office-based colleagues, and restrict front line services to emergency repairs and compliance works and the provision of support services to vulnerable customers. In March we reviewed our budget for 2020/21 to ensure that we could cope with any uncertainty (which we could) and deferred approval of our new financial plan from March 2020 to September 2020 having stress tested the key economic assumptions impacted by Covid-19. Our financial strength as a business meant that we are able to withstand almost all but the perfect storm of the worst-

case scenario of multi-variate simultaneous stress tests without impacting our viability or breaching our loan covenants. Should such a perfect storm occur we have a range of mitigating actions which can be implemented to ensure we avoid any breach of our covenants and we are constantly monitoring the external environment to watch for signs of any such storm emerging so as to be able to take timely action if required.

The turmoil of the Brexit negotiations during 2019/20 ultimately culminated in the general election in December 2019 with the return of a Conservative government with an 80-strong majority. A modified Withdrawal Bill passed in January 2020 and the UK left the EU on 31 January and moved into an 11-month transition period. Negotiations with the EU over a trade deal have been significantly hampered by the impact of Covid-19. As a business our preparations for a no-deal Brexit at various points in 2019 remain valid. In line with regulatory expectations we have put in place mitigations to protect the association from possible impacts particularly any further volatility in financial markets.

The UK economy was impacted in the first three quarters of the financial year by the on-going uncertainty around Brexit. Economic growth had already slowed to its lowest rate in a decade before the impact of the pandemic and is projected to fall sharply as a consequence through 2020. GDP fell by 10.4% in the three months to April 2020 and by a further 20.4% in April 2020. Inflation fell throughout the year from 2.1% in April 2019 to 1.3% in December 2019, and despite short term rises it fell back to 1.5% in March 2020 and lower still at 0.5% in May 2020. Interest rates were unchanged through the year at 0.75% (where they had been since August 2018) but in March 2020 the Bank of England cut rates to 0.25% and then 0.1% as part of its response to the pandemic, the lowest rate in its 325-year history.

Our work over the backend of the year and into the new financial year, analysing and insulating the business where possible against the economic impact of both Brexit and Covid-19, as well as carrying out a full Covid-19 impact review on our risk register, have been robust and cautious in approach. We recognise that there remains considerable uncertainty in the housing market and have adjusted our expectations of both handovers and sales down accordingly. Our income is driven by rents which are set by government and whilst we have a five-year rent guarantee of CPI+1% we are prepared for any change in government policy. We have in the last year put extra resources into front line services - collecting rent arrears, maximising incomes and supporting customers at highest risk of tenancy failure - and whilst we expect increases in rent arrears and higher numbers of Universal Credit claimants as the economic impact bites on customers jobs and incomes, we continue to perform well compared to our peer group.

The focus on Brexit and latterly the pandemic during 2019/20 has meant there has been much less focus on routine domestic political agenda than usual. The main area which impacts upon us as a landlord has been the increased focus on building (and in particular fire) safety. During the year we carried out a major review of our housing stock investment requirements with the added dimension of ensuring compliance with new regulations that we expect to come forward in 2020. In total we have added an extra £1m a year to our spending from 2020/21 on planned works including compliance.

As a business we are extremely conscious of the housing crisis in the country, which is especially acute in the south east where the gap between average incomes and average house prices is at a premium. We recognise that to meet demand in England, research commissioned by the National Housing Federation, the Chartered Institute of Housing and the Local Government association said that more than eight million people (one in seven) live in unsuitable homes. To meet demand 340,000 new homes are needed each year including 145,000 new affordable homes (over half of which should be at social rents). We welcomed the additional resources allocated by the Government to the affordable housing programme in the spring budget in March 2020. However, a reduction in the Government's own housebuilding target from 300,000 to 200,000 homes a year for five years means it falls well short of what is required.

We are also extremely conscious of the global climate crisis and the UK government's net-zero greenhouse gas emissions target of 2050. Many commentators and scientists believe that we will need to achieve this target much sooner and even if we work to the original target, emissions need to be falling significantly before then. Energy use in homes accounts for 14% of UK greenhouse gas emissions so it is vital that housing associations play their part in setting out a clear, long term plan for achieving carbon neutrality. We are keen to do more to support this goal and we are working with specialist consultants to enable us to: understand the risks and opportunities associated with the climate crisis; model our existing carbon footprint; develop a recommendation for carbon reduction targets; and create a costed delivery plan for achieving those targets.

## **Operational performance**

Performance within a range of operational functions is set out below.

### **Development of new homes**

Our strategic plan agreed in March 2018 includes an objective to deliver 1,100 properties over five years. We completed 188 new properties in 2019/20, which was below target. This was due to a reduction in the number of Section 106 opportunities in our core geography compared to our expectations, linked to a

downturn in the housing market. In response, the board approved an enlarged operating geography in December 2019 which is already producing new opportunities. We will also be pursuing an increasing proportion of land-led schemes in future years and progressing regeneration schemes which will involve the redevelopment of two blocks of flats at Bay House and Barn Close over the next two to three years (see note on ring-fenced schemes below).

### **Stock investment**

In 2019/20 we spent a total of £15,588k (2018/19: £9,284k) on major repairs to our properties. A major part of the spend in the year related to the refurbishment of the flats at Iveagh Court which will bring them up to modern standards. The project commenced in January 2018 but as it progressed, design faults and poor workmanship in the original build were uncovered, which have resulted in significant water ingress and poor fire compartmentalisation. As a consequence, significant redesign work was undertaken which has resulted in extension of the programme, increased costs and a revised decant strategy for our customers. We expect work to all the flats to be complete by the end of September 2020.

Iveagh Court is one of eight blocks of flats where additional investment is required over and above routine component replacements. For investment purposes we 'ring-fenced' resources for these blocks as part of the financial plan 2018 (updated in 2019 as appraisals were concluded). Two of those blocks are now progressing for redevelopment (as referenced above). As well as the work at Iveagh Court, we will be progressing works at Boyd Court in 2020/21 and undertaking further, appraisals and customer consultations at Campion House and Bryony House and Hambleton & Hurley Courts. Investment at Point Royal, our only tower block, has progressed well, including the installation of a sprinkler system in the flats, with further works planned over future years.

Considerable progress has been made during the year in improving our stock condition data to inform our programme decision making, with over 500 stock condition surveys completed in the year before a pause in activities as a result of the Covid-19 outbreak. We will continue with the programme in 2020/21 as soon as it is safe to do so, with a particular focus on communal areas. As part of the mid-term review of our strategic plan based on our improved stock condition data and the anticipated requirements of enhanced building safety regulations, our underlying stock investment programme has been revised from £233m to £275m i.e. an additional £42m over the 30-year period. This excludes the investment needs of the ring-fenced schemes for which the existing provision of £30m will continue to be invested the period 2019/2024.

### **Procurement**

During the year, we increased our internal resources to support the business in procuring works, goods and services. We launched a procurement and contract management framework which sets out principles to guide the business in these areas. We successfully procured a number of significant contracts for major works, in particular, realising savings compared to our budget of nearly £0.8m which have been reinvested in the business. Our plans for 2020/21 include the implementation of a new software system to simplify our purchase order-to-pay process and the introduction of an e-sourcing on-line portal to streamline and improve the effectiveness of our tendering and other procurement activities. The e-sourcing system will also assist in ensuring our suppliers deliver the works, goods and services in line with key performance indicators set as part of the contract.

### **Rent arrears**

Our notional rent arrears figure at year end was 2.51% against a target of 2.2%. The impact of Universal Credit was felt this financial year with the number of tenants claiming this benefit doubling from 549 to 1,148. As a consequence, the number of claimants in arrears more than doubled from 245 to 648 which has had an impact on our performance. The impact of Covid-19 was also felt in the run up to year end with 131 customers advising us that their ability to pay rent had been directly affected. This was borne out by an increase in Universal Credit claims in the final five weeks of the financial year of 13%.

### **Voids**

Voids performance during the year was below target for a number of reasons. The turnover of colleagues in the voids repair team and access teams has had an impact; we implemented a new standard for the condition of voids prior to re-letting; and we held a significant number of homes for decants linked to three regeneration projects. By year end performance was starting to achieve our target for repairs turnaround time and re-let times for void properties requiring minor and major repairs and rent loss had reduced to 0.67% which is similar to the performance achieved in 2018/19.

### **Customer insight & engagement**

We want to ensure that our customers voice is impactful and visible in shaping and influencing decision making across all aspects of service delivery. Throughout the year we have engaged with customers through a number of ad hoc surveys used to gain insight on a specific issue or business area; used quantitative transactional surveys following contact with our customer hub or following repairs to show customer satisfaction in real time; and carried out in depth quantitative surveys and engagement to provide us with insight into how our customers feel about us as a business and the services we offer at a particular moment in time. This year we surveyed all customers in November and received 975 responses so we could

baseline our satisfaction and then track the impact the organisational redesign has on this.

Our customer partnership board has developed during the year, supported by additional training and induction following its launch in January 2019. It has consolidated its role within the business delivering on its purpose. They work with us on big strategic and policy issues and how they may affect customers. They also ensure that the processes being proposed to inform future customer facing decisions represent the most effective methodology for customer engagement and use of insight; and to then ensure that recommendations have been formulated after full consideration of the outcomes of those activities. We have also held three customer partnership events during the year bringing together engaged customers to help us develop services.

My Silva launched during year, a self-service portal where customers can check their account balance, pay their rent and book a repair. An initial target was set at 1,000 registered customers by year end. At the end of March 2020, we had 3,091 registered users on My Silva which means 48% of tenants had an active account. During the lockdown period the number has grown further and by the end of quarter 1 we had over half of all customers with an active account. We are well on our way to our target of having 80% of customer-initiated transactions online by March 2022.

In 2019 we created a dedicated centralised complaints resolution team. Performance in this area was previously disjointed but by year end, the team were achieving 100% in their acknowledgement target and 100% in their response target of less than 10 days with an average of 5.5 days. We also created a new service charge team dedicated to providing excellent customer service to our leaseholder and shared ownership customers. A new commercial team was also created, responsible for our garages, making them available to customers and the local community bringing in additional revenue and ensuring they are appropriately maintained.

One the cornerstones of our new operating model is the deployment of local customer relations partners working in a specific geographic patch who have responsibility for, building up a local knowledge and supporting our customers to sustain their tenancies successfully while taking enforcement action quickly and fairly where necessary.

We are an early adopter of the National Housing Federation's "Together with Tenants" initiative and during the year we developed a new customer charter with measures that demonstrate our commitment as a customer focussed organisation and driving innovation across the sector.

## **Colleagues**

We have redesigned our approach to recruitment to improve the candidate pack and make behaviours a key element of the selection process. We also entered into a managed recruitment partnership which enabled us to manage the recruitment and induction of 125 colleagues into the business during the year through our organisational re-design project. We have also delivered our first ever graduate programme and recruited 10 graduates who are already having a positive impact within the business.

Our range of colleague benefits include access to a good pension scheme, enhanced annual leave, and enhanced sick pay, maternity and paternity leave, along with other voluntary benefits that support employee wellbeing. We have ensured that no colleague will receive less than the real Living Wage set by the Living Wage Foundation.

We have developed and promoted our new culture, and it has been successfully embedded into the business through our new job profiles, in our recruitment process, through our appraisal process and in our new learning and development system. We have also begun a programme of monthly campaigns and communications to raise awareness of our beliefs and behaviours with colleagues.

The Silva colleague forum (SCF) acts as a voice for colleagues in helping shape decisions and consulting on key business activity. It has continued to provide advice and input into key business decisions including the organisational redesign and updating our policies. During the year, we developed and launched a range of policies to modernise and improve working practices. This includes a policy on smart and remote working, presenting a professional image and an updated code of conduct. We have also implemented a new approach to coaching and performance review.

## **Equality Diversity & Inclusion**

We recognise the importance of promoting and supporting equality, diversity and inclusion (EDI) for customers and colleagues. We produced a new equality and diversity framework which was approved by the Silva board in October 2019 and which sets out our four key principles: meeting our statutory requirement and going further where we can; valuing and celebrating diversity; improving representation; ensuring that equality and diversity is a natural part of how we act and think. The board receives an annual report setting out various equality and diversity measures and we are setting up a dedicated EDI action group in 2020 which will report directly to the executive board to ensure that we provide services and a workplace which meet the needs of our diverse communities and colleagues.

### **Digital & technology**

As referenced above, we launched our new customer portal (My Silva) in August 2019 as part of the launch of a brand-new website. We have made a number of improvements and upgrades to core systems including moving leaseholders and complaints management onto our housing management system, Northgate. This means that it is easier for colleagues to manage cases and make the best use of data. We have also continued to expand our digital colleague hub, based on SharePoint software, which brings information, updates, and key documents together in one place. This is accessible to all colleagues and has been designed with a mobile friendly version for front-line colleagues.

### **Projects & performance monitoring**

We have continued to redesign performance reports to make them more focused and easier to read. We have also increased the use of PowerBI reporting software to provide detailed analysis across key performance areas. Our integrated strategic delivery plan and project management software enable us to map and monitor the delivery projects required to achieve the three strategies. Overall, we have now successfully delivered 70 improvement projects since the programme began.

We have also implemented a new approach to the management, production and roll-out of frameworks, policies & procedures. This ensures a consistent and well written model that makes it easy for colleagues and customers to understand our approach and what they need to do. Our comprehensive approach to business assurance reporting to the Silva board (introduced in October 2018) has been further refined during the year and now covers all key aspects of performance and compliance as part of a single report, with its own agenda as part of quarterly board meetings.

### **Health & safety**

The Silva board is aware of its responsibilities on all matters relating to health and safety. The safety of our customers is of paramount importance and we have a good health and safety track record with effective controls and systems in place. During the last year, the group has focused on ensuring that health and safety compliance is effective.

Following an internal review of our health and safety governance arrangements we established an operational compliance group to review all of our compliance obligations relating to health and safety. This group consists of senior management who meet every six weeks and is chaired by the company secretary. The executive board have oversight of this group and meet with the appointed board partner for health & safety on a quarterly basis. This provides opportunity for the board partner, Karen Morris-Lanz to be fully engaged and provide an additional level of scrutiny to the board's review of health and safety compliance on a quarterly basis.

During the year we also refreshed our health and safety framework and introduced a new approach to auditing and specialist consultancy advice. Internal auditors now carry out an annual review of health and safety arrangements whilst industry experts are commissioned to carry out in-depth reviews (on a two yearly programme) of eight key compliance areas - gas, fire, electrical, trees, lifts, asbestos, water, and construction design & management (CDM). The Silva colleague forum has also been given additional responsibilities for communications around health and safety matters.

An annual report on health and safety has been provided to the board which acknowledges progress across all areas and sets out actions for further improvement.

As mentioned earlier, additional resources have been factored into our stock investment programme and will be included in our financial plan 2020, to address additional compliance requirements arising out of new and further anticipated building safety regulations.

### **Managing risk**

We are committed to continually improving our approach to the identification and management of risk, and to determining our appetite for risk to ensure long-term viability, sustainability and growth of the business. Risk management is an integral part of our business processes. We have a comprehensive risk management framework in place which helps us identify risks, score them, develop controls and assurance to mitigate them, and prioritise actions to achieve target scores. All risks that may prevent the group achieving its objectives are assessed and reviewed regularly by the executive board, the subsidiary board of Forest Future Homes and the Silva board.

We recognise that risk management is the responsibility of everyone within the business. Rather than it being a separate standalone process we consider risk management to be an integral part of our business assurance reporting and our decision-making processes. All board, committee and executive board reports consider risk alongside a range of other decision-making implications. The board considers risk in light of changes to the internal and external operating environments as part of the quarterly business assurance report. Reporting focuses on high level (red) risks, any significant adverse changes in medium (amber) risks, and the strength of controls and assurance in place (at three levels of defence) to mitigate the risks.

During 2019/20 we carried out a comprehensive review of the risk register, risk appetite, and emerging risks with reference to the 2019 report by the Regulator of Social Housing on sector risks. The review of risk appetite endorsed the changes

agreed as part of the mid-term review of our strategic plan and business strategies.

In our year-end review we identified six high residual (red) risks as follows:

- Failure to win development opportunities - mitigated by having proactive relationships with developers and local authority partners; quick response times to new business enquiries; detailed analysis of bids won and lost; and regular reviews of underlying financial assumptions to maintain competitiveness.
- Major supplier failure - mitigated by carrying out robust pre-contract supplier viability checks; following contract management and monitoring procedures with key suppliers; and having disaster recovery / business continuity plans in place for critical suppliers.
- Electrical non-compliance - mitigated by having a rolling programme of EICRs in place; monitoring of remedial actions required; carrying out stock reconciliation; and having contractor checks in place as part of ongoing due diligence of contractors.
- Cyber security breach - mitigated by enhanced network security and focus on supplier compliancy with standards; encryption of laptops and phones; penetration testing by external specialists; and a range of technical measures in place such as firewalls, endpoint security software, mail filters, intrusion detection system.
- Additional cash contribution required towards our pension deficit - mitigated by ensuring regular review of information from the LGPS; attendance at LGPS employer meetings; an annual update of pension strategy with remuneration committee; and use of specialist pension advisors to monitor risk and advise on potential mitigation strategies.
- Failure to ensure business continuity - mitigated by having robust systems, plans, policies and procedures in place; carrying out business continuity scenario simulations with an external specialist facilitator; using cloud-based systems and having UPS support for critical services.

As well as those mentioned above, we have a significant number of internal controls and assurance mechanisms in place to mitigate these risks, although (as the analysis and scoring shows) not substantially enough to reduce the gross risk to medium (amber) or low (green) in our rating system.

Shortly after the year end the risk register was also subject to a detailed review to assess the impacts on Covid-19 and the impacts were assessed over the short term (6 months), medium term (12 months) and longer term (beyond the year end into 2021/22). Unsurprisingly the review identified a significant upward shift in gross risk scores due to the exceptional changes in the external operating environment. Even with additional controls in place the likelihood has increased for a number of risks, as have impact scores (or both), pushing up residual risk scores.

The risk scores increased despite additional mitigation through new or strengthened controls (e.g. new guidance, PPE, policy changes, home working) and additional assurance measure (e.g. emergency planning, special executive board meetings, weekly compliance scorecard reporting, weekly board updates, regulatory reporting). The review did not however identify anything that we may have missed through our response to the Covid-19 emergency and provided a good level of assurance in terms of our emergency planning and decision making. We expect most of these higher risk scores to recede back to the year-end position over the short to medium term. Other risks, such as supplier failure, may well last into the longer term depending on what happens to the economy and as government support for business is wound down.

We also undertake a wide range of risk-based stress testing of our financial plan on an annual basis with input from our treasury advisors. For the 2019 plan we applied nine different stress tests, two multi-variate stress scenarios and a perfect storm scenario. A decrease in house prices by 20% was the only stress test that would breach a loan covenant, but it would be mitigated by minor trimming of major works spend.

The two multi-variate stress tests are based on development shock (MV1) and asset management plus economic shock (MV2). MV1 ramps up new build cost inflation to CPI+10%, drops sales values by 20%, extends sale periods from 3 to 9 months, and accelerates payments to developers working on our behalf. MV2 adds 33% to the costs of major regeneration schemes, increases annual stock investment spend by 10%, drops rent increases to CPI only, ramps up bad debt provision to 5%, and assumes LIBOR immediately jumps to 5% instead of gradual rises to 3% over the next 5 years.

MV1 would immediately impact on loan covenants but again can be mitigated by moderate cuts to major works spending in the short term and reducing uncommitted development spending over the medium term. MV2 would immediately impact on our interest cover covenant and require sustained significant reductions in both major works and uncommitted development spend. The perfect storm combining development, asset management and economic shock would require comprehensive mitigating actions including stopping all uncommitted development, curtailing some operating costs, and reducing spend on major works whilst ensuring that compliance works are maintained. These mitigating actions would allow us to meet critical loan covenant constraints enabling us to weather the storm and sustain long term financial viability.

## Financial performance

### Income and expenditure

An operating surplus (excluding the surplus on disposal of property, plant and equipment) of £11,677k was achieved in 2019/20 compared to £14,469k in the prior year. The operating margin decreased to 23.3% in 2019/20 from 27.5% in the prior year.

Income from rents and service charges increased by £1,117k, with the addition of new homes more than offsetting the impact of the fourth and final year of the government's 1% rent reduction. Income from first tranche shared ownership sales increased by £3,719k with 73 sales in the year compared to 54 in 2018/19 and the margin increasing to 33.0% compared to 30.4%. Approximately half the sales in the prior year related to Abercrombie Mews, where the margin was lower due to the costs related to the re-development of the site of a former independent living scheme, compared to higher margins achieved on s106 related developments which are effectively subsidised by the private housebuilder.

Higher costs in 2019/20, contributing to the lower operating surplus and margin, related to management, major repairs and depreciation and included one-off costs related to the implementation of the organisational redesign during the year which will improve customer service and the management of our assets going forward. Major repairs costs reflected higher expenditure on the refurbishment of Iveagh Court which will be completed in 2020/21. The increase in depreciation was due to the increase in our number of rented properties during the year.

The surplus from the disposal of property, plant and equipment reduced to £478k in 2019/20 from £874k in the prior year.

### Treasury management

We borrow money to fund investment activities in providing new homes. A detailed treasury management policy is in place which is regularly reviewed by the Silva board and sets out rules for borrowing activity and management of liquidity which are reflected in an annual treasury plan with responsibility delegated to the executive director (finance & procurement) for implementation. Our 'golden rules', which are set annually by the Silva board, reflect the requirements of the treasury management policy and the loan covenants in place, with compliance ensuring long term financial viability. These rules are regularly monitored, and progress is reported through the management accounts with a detailed treasury report setting out performance made to the Silva board twice a year.

### Borrowing facilities

The association has a total of £227.5m of loan facilities in place from five lenders (2018/19: £202m). Details as at 31 March 2020 are shown in the table below. In

March 2020 a new term loan was taken from bLEND, a subsidiary of The Housing Finance Corporation (THFC), for a nominal value of £25m.

	Facility type	Total facility	Drawn facility	Interest rate basis
<b>Bank loans</b>				
Barclays	Term loans	£55m	£55m	Fixed
Barclays	Term loan	£19m	£19m	Fixed to March 2023 then variable - based on LIBOR
Barclays	Revolving credit facility	£53m	£8m	Variable - based on LIBOR
Barclays	Overdraft	£0.5m	-	Variable - based on LIBOR
<b>Total bank loans</b>		<b>£127.5m</b>	<b>£82m</b>	
<b>Other loans</b>				
BAPFIM	Term loan	£35m	£35m	Fixed
THFC - AHF	Term loan	£15m	£15m	Fixed
THFC - EIB	Term loan	£25m	£25m	Variable - based on LIBOR
THFC - bLEND	Term loan	£25m	£25m	Fixed
<b>Total other loans</b>		<b>£100m</b>	<b>£100m</b>	
<b>Total facilities</b>		<b>£227.5m</b>	<b>£182m</b>	

As at 31 March 2020, £182m (2019: £149m) of these facilities were drawn with 82% at fixed rates of interest (2019: 70%) and 18% at variable rates (2019: 30%).

### Interest rate management

To manage the risk of adverse interest rate fluctuations a number of fixed interest rate swaps have been put in place within certain of the Barclays term loans. As such these are not standalone swaps and so mark to market fluctuations do not need to be reflected through the statement of comprehensive income in the accounts. However, the mark to market position is notable because we would be obliged to pay the breakage costs if we were to refinance our Barclays loan facility. The swaps relate to loans totalling £74m (2019: £55m) and at 31 March 2020 had a negative valuation of £16.8m (2019: £15.3m). This valuation reflects market expectations of future interest rates as compared to those in place.

In the year our weighted average interest rate on debt drawn was 4.57% (2019: 4.34%) and the weighted average term of debt drawn, taking into account the amortising schedule of loan repayments, was 16 years (2019: 16 years).

### Loan covenants

When entering into loan agreements with lenders a set of covenants are agreed which are monitored over the life of the loan to ensure compliance. The existing loan covenants in place are based on asset cover, interest cover and debt per unit. It is our policy to set a minimum performance level giving 10% headroom against the

covenants when approving our financial plan giving headroom in which any adverse financial variations can be managed. Covenant performance is reported regularly to the Silva board in accordance with the group's treasury management policy. All covenants were met during 2019/20 and at the end of the year the board is content that significant headroom exists against all covenants and that sufficient committed loan facilities are in place to meet our funding requirements for 2020/21

### **Future funding**

Our current committed borrowing facilities are £227.5m of which £182m were drawn at 31 March 2020. We are monitoring our future funding requirements, taking into account the impact of Covid-19 on our operations and development plans. Our current projection is that we will not require further funds before March 2023 and our treasury management policy requires that new or extended facilities are agreed in a timely manner to ensure that the group always has sufficient access to funds to meet its obligations and deliver its strategy. We are currently working with our treasury advisors to determine appropriate additional future funding facilities.

## **Governance**

### **The Silva board**

The Silva board is the group parent board. It is a single status board whereby its members are recruited for their skills, knowledge and experience. There are no nomination or appointment rights held by any third party. The non-executive board members are the only shareholders. The board members who served during the period are set out on page 1. Two board members have subsequently stepped down from the board after the year end due to additional commitments however the board and its committees remains quorate and targeted recruitment is underway with appointments expected in Autumn 2020.

### **Governance framework**

A new governance framework to support new governance arrangements was adopted in 2018 and during the year this has been further refined with regular reviews of the framework and the policy documents that are linked to it including the board & committee membership policy, terms of reference of the boards and committees, role profiles and person specifications, code of conduct, as well as board skills, performance and development. The terms of reference of the executive board, the delegated authority to executives, and further delegation to colleagues, have also been updated in the year to reflect the new organisational structures.

As mentioned above, the customer partnership board has been a successful forum in providing a key link into the strategic leadership and decision-making mechanisms within the business which impact customer services. Eight customers have been recruited on the basis of their life experiences and skill set. A Silva board member

was also appointed to act as the lead partner to the CPB.

During the year, the Silva board met eight times including one strategic offsite event over two days which was constituted and minuted as two board meetings. Furthermore, there is an urgent/efficient decision-making policy and procedure in place which allows for the Silva board and its committees to make decisions between meetings.

### **Board members**

The biographies of the Silva board members are set out below:

#### **Graeme Stanley - Chair of the Silva Board (appointed September 2013)**

Graeme is a former housing association chief executive currently working as a consultant advisor to the Aster Group's executive board and non-executive director of a farming and property company. Graeme is a Fellow of the Chartered Institute of Housing and holds an MSc in strategic management and housing.

#### **Iain Bacon - Chair of the Audit Committee (appointed November 2016)**

Iain is a chartered accountant with senior finance experience gained across a number of sectors. He has worked as finance director and in senior management roles for housing associations and commercial organisations. He is currently the group finance director at GreenSquare Housing.

#### **Candace Valiunas - Chair of the Remuneration Committee (appointed September 2016)**

Candace has had a successful and broad-based career in private equity real estate transactions and asset management. She is an experienced director and advisor to boards in the UK and continental Europe. Candace is a member of eight investor advisory boards of funds sponsored by M7 Real Estate.

#### **Valerie Knott (appointed February 2018)**

Valerie is a chartered accountant and has an MBA. She trained with Price Waterhouse and has worked as a chief financial officer/finance director for a number of domestic and international media and technology businesses including Ticketmaster, UKTV and Sage Pay Europe.

#### **Karen Morris-Lantz (appointed February 2018)**

Karen is founder of Waponi HR a global consultancy partner who deliver skills, people and technology change to align business, people and digital strategies. She has led HR, IT and learning and development teams delivering substantial change across a number of high-profile organisations across a diverse range of business sectors.

**Amanda Williams** (appointed September 2016)

Amanda is group development director at Aster Group and has over 25 years' experience in development, marketing and asset management for a number of housing associations. She has also worked for Adams Integra, a consultancy specialising in housing development and planning.

**Elizabeth Egan** (appointed February 2018 and resigned May 2020)

Elizabeth began her career in marketing with an advertising agency and Electronic Arts before moving to the consumer health field joining Weight Watchers International in several executive roles. She was subsequently executive director of global strategy & innovation at AstraZeneca until December 2017 and appointed managing director of Havas Lynx (a global healthcare communications agency) in April 2018 before becoming president in June 2019.

**Geoff Saunders** (appointed April 2019 and resigned April 2020)

Geoff has his own development business. Previously he worked in construction for over 30 years, most recently in senior operations roles with Kier and Balfour Beatty where he oversaw the successful delivery of significant planned and reactive maintenance programmes as well as new build schools, hospitals and housing projects in partnership with some of the country's leading housing associations and private sector clients.

**Alan Ward** (appointed April 2018)

Alan was appointed to the Silva board when he was appointed as the chief executive of Silva Homes. His biography is set out on page 22.

**Subsidiary board**

Forest Future Homes is the only subsidiary within the group and was incorporated in April 2013. It has its own board of directors which comprises two non-executives and two executives. All board appointments are made by the Silva board. During the year the Forest Future Homes board and the Silva board approved a new governance and operational framework for the subsidiary.

The members of the subsidiary board are:

- Valerie Knott - non-executive board member and chair (appointed October 2018)
- Amanda Williams - non-executive board member (appointed October 2018)
- John Andrew - executive board member (appointed September 2018)
- Laura Johnson - executive board member (appointed October 2018)

Valerie Lynch is company secretary (appointed February 2016)

**Group committees**

The Silva board and the Forest Future Homes board have delegated some

responsibilities to two group committees which are set out below. The membership of the two committees is agreed annually by the Silva board in line with the agreed skills matrix.

The Audit Committee monitors the integrity of the financial statements, ensures that there is an appropriate culture of internal controls maintained across the business and reviews the effectiveness of internal and external audit. It also provides an added level of scrutiny in the monitoring of fraud prevention and detection and scrutinises and advised on the value for money of the group's activities. The committee met five times during the year.

The Remuneration Committee is responsible for matters relating to colleague and executive remuneration, performance and their terms and conditions of employment. It oversees all matters relating to the remuneration and performance of board members. It also keeps the association's pensions planning and provision under review. The committee met three times during the year.

### Board member remuneration

The group has remunerated its board members since 2013. A review of board remuneration was undertaken in July 2018 (with external advisers) and due to the additional time commitment expected from board members in the new governance framework, including daytime meetings, the annual rates were increased. The groups' policy allows for a triennial review of board remuneration. The emoluments of the non-executive members of the board during 2019/20 were as follows:

Board member	Role	Emoluments
Graeme Stanley	Chair	£16,500
Iain Bacon	Committee chair	£9,500
Candace Valiunas	Committee chair	£9,500
Elizabeth Egan	Board member	£7,000
Valerie Knott	Board member	£7,000
Karen Morris-Lanz	Board member	£7,000
Amanda Williams	Board member	£7,000
Geoff Saunders	Board member	£6,524

During the year Alan Ward was an executive member of the board but received no remuneration for services to the board. Remuneration for executives is disclosed in note 5.

### Attendance

The board monitors attendance at meetings and this was 92% (2019: 89%) at Silva board meetings, 96% (2019: 82%) at committee meetings and 100% at FFH board meetings.

## **Executive board**

Day to day management of the group is delegated to the chief executive and the other executive directors. As the executive board they have collective authority delegated by the Silva board and Forest Future Homes board. They also have individual authority delegated to run their service areas and can make decisions within certain parameters and within limits set within the financial regulations. The executive board can agree further delegation to colleagues within certain parameters defined by the Silva board. The executive board terms of reference state that they can determine their own working arrangements. They meet twice a month and attend board meetings.

All members of the executive board are employed on standard executive service contracts, which are reviewed and approved by the board following specific employment law advice from the association's lawyers. Their contractual notice period is six months.

The biographies of the executive board members are set out below.

### **Alan Ward - Chief Executive (appointed April 2018)**

Prior to being appointed as the association's chief executive Alan ran his own successful consultancy business, founded in 2007, working for over a decade mostly with housing sector clients but also some in the education and health sectors. Prior to that, he was group chief executive of Curo Group in Bath for 10 years.

### **John Andrew - Executive Director (Finance & Procurement) (appointed May 2018)**

John previously worked as finance director at Tai Tarian, a stock transfer housing association in South Wales. Prior to that John held a number of senior roles for commercial companies including Walter Energy Inc, Reliance Security Group, BAE Systems, Anglian Water and KPMG.

### **Dasos Christou - Executive Director (Customer Relations) (appointed August 2019)**

Dasos previously worked as the head of customer service at Richmond Housing Partnership for just under seven years. Prior to that, he spent 11 years employed by John Lewis & Partners, working in a variety of different roles including branch management and as part of the leadership team successfully launching John Lewis Financial Services.

### **Laura Johnson - Executive Director (Assets & Growth) (appointed September 2018)**

Laura has worked in housing for over 20 years at a number of organisations. She has been the director of housing at two London boroughs. Before joining Silva she worked as a consultant with Peabody Housing Association on development and change following their merger.

**Robert Smyth - Executive Director (People, Digital & Change)** (appointed May 2018)  
 Before joining Silva, Rob worked for Dacorum Council as an assistant director leading the organisation on transformation, digital innovation and business intelligence, as well as overseeing performance and project management, ICT, HR and OD, communications and marketing, and customer services. Prior to that, he also worked for two housing associations, Transport for London and a local authority.

## Financial position

The consolidated statement of comprehensive income on page 43 shows a surplus for the year of £6.2m (2019: £7.7m). Total reserves, after adjusting for the actuarial gain relating to the pension scheme, are £244m (2019: £236m). Key statistics are shown in the table below.

### Five-year summary (£000s)

Year ended 31 March	2020	2019	2018	2017	2016
<b>Statement of income</b>					
Turnover	50,042	45,274	42,905	42,661	41,651
Cost of sales	(6,706)	(4,374)	(2,802)	(2,801)	(3,706)
Operating costs	(31,659)	(28,431)	(27,069)	(24,745)	(24,711)
Surplus on disposal of property, plant & equipment	478	874	294	1,637	319
Operating surplus	12,155	13,343	13,328	16,752	13,553
Net interest charge	(5,925)	(5,636)	(5,377)	(5,549)	(4,415)
Surplus for year	6,230	7,707	7,951	11,203	9,138
<b>Financial position</b>					
Housing properties	411,341	380,407	357,044	339,947	319,506
Other fixed assets	1,078	1,658	1,675	1,220	1,401
Fixed asset investments	-	-	-	-	8
	412,419	382,065	358,719	341,167	320,915
Net current assets	78,246	65,994	84,268	70,853	44,865
	490,665	448,059	442,987	412,020	365,780
Loans due after one year (includes FRS 102 adjustment and premium on loan issue)	(192,264)	(153,902)	(154,260)	(129,715)	(91,745)
Other long-term liabilities	(53,612)	(57,808)	(61,651)	(64,282)	(63,851)
Reserves	(244,429)	(236,349)	(227,076)	(218,023)	(210,184)
	(490,665)	(448,059)	(442,987)	(412,020)	(365,780)

Year ended 31 March	2020	2019	2018	2017	2016
<b>Key statistics</b>					
Operating margin (excluding surplus on disposal of property, plant & equipment)	23.3%	27.5%	30.4%	35.4%	31.8%
Operating margin (as above) excluding impairment	23.3%	28.2%	37.0%	36.5%	32.7%
Asset gearing	33.6%	30.9%	28.4%	28.3%	27.6%
EBITDA-MRI surplus	9,537	15,005	19,277	18,248	14,604
EBITDA-MRI margin %	19.1%	33.1%	44.9%	42.8%	35.1%
EBITDA-MRI interest cover	1.3	2.2	2.9	2.8	2.8
Return on capital employed	2.5%	3.0%	3.0%	4.1%	3.7%

The reduction in the operating margin for 2020 compared to the prior year is due to organisational restructuring costs, expenditure on the refurbishment of Iveagh Court and higher depreciation due to an increase in our stock.

#### Accounting policies

The group's principal accounting policies are set out on pages 55 to 64 of the financial statements. The most significant policies impacting on the financial results relate to accounting for our housing properties.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (March 2018) (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2018 Update (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2019. Silva Homes Limited is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

#### Housing properties

At 31 March 2020 the group owned 6,315 housing properties for rent (2019: 6,212) and owned the freehold of 1,084 properties which have been leased on long term leases (2019: 1,085). The group also retains an interest in 305 (2019: 236) shared ownership properties.

The properties are carried in the balance sheet at deemed cost, using values based on the Existing Use Value - Social Housing (EUV-SH) as at 1 April 2014. Any additions to the stock since 1 April 2014 are recorded at cost. Property values are stated net of depreciation and accumulated impairment losses.

### **Pension costs**

The group participates in the Royal Berkshire Local Government Pension Scheme (LGPS). This is a final salary scheme and the group contributed at the rate of 22% during 2019/20 (2018/19: 22%) with employees paying at varying rates depending on their salary banding. The group was required to pay additional deficit reduction lump sum contributions of £541k in 2019/20 (2018/19: £nil) but is not required to make further such contributions following the latest triennial valuation of the scheme.

The value of the assets in the scheme has decreased by £1.3m primarily due to the negative impact of Covid-19 on values in March 2020 (2019: increase of £2.0m) while the liabilities of the scheme have decreased by £2.7m (2018: decrease of £0.8m) primarily due to changes in assumptions for future inflation and salary increases. The net liability has therefore decreased by £1.4m (2019: decrease of £1.2m) to £10.3m (2019: £11.7m). The data underlying the assumptions used to value the liabilities along with the market value of the assets in the scheme are volatile and the group recognises the risk of future changes in the fund valuation.

Our membership of the Royal Berkshire LGPS was closed to new entrants as from 1 September 2009. This was replaced by a defined contribution scheme with Scottish Widows whereby the group makes contributions in the range of 6% to 12% depending on the employee's contribution.

During 2019/20 the group continued to review its pension arrangements in order to manage the financial risk associated with the defined benefit scheme.

### **Financial risk management objectives and policies**

The group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the group's treasury management policy, which provides details of the circumstances under which use of these instruments might be considered. The group does not use derivative financial instruments for speculative purposes.

**Cash flow risk** - The group's activities expose it to the financial risks of changes in interest rates. In order to manage these risks, the group has arranged for its loan facilities to be at an appropriate mix of fixed and variable interest rates in accordance with its treasury management policy, as shown in the table on page 17.

**Credit risk** - The group's principal financial assets are cash and cash equivalents, rent arrears and other receivables. The group's credit risk is primarily attributable to its rent arrears. The amounts presented in the statement of financial position are net of allowances for bad debts. The credit risk on liquid funds is limited because of

the group's policy of using counterparties with high credit ratings.

**Liquidity risk** - In order to maintain liquidity to ensure that sufficient funds are readily available for ongoing operations and future developments the group uses a mix of long term and short term debt finance. It is the group's policy to maintain cash deposits equivalent to three months operating cash requirement and these are held at more than one institution to spread the counterparty risk.

## **Strategic approach to value for money**

Value for money is defined as ensuring that optimal benefit for our customers and stakeholders is derived from our use of resources and assets.

As referenced above, our strategic plan 2018-21, and the three underpinning business strategies, were reviewed during the year and extended by one year to 2022. During the last year we have completed the organisational re-design and continued the digital journey that will deliver our transformation into a high performing, trusted and value for money organisation.

Our resource strategy includes the objective 'to ensure a robust approach to value for money by directing all resources to deliver optimal benefit in the delivery of our strategic objectives'. Our value for money framework sets out our approach to identifying, delivering and measuring value for money across all areas of the business. It ensures we meet the regulatory requirements to set and measure strategic objectives for the business which provide value for money and deliver homes which meet a range of needs.

Our quarterly performance and compliance clinic (PCC) allows for scrutiny by our executive board and wider leadership group of our progress prior to review and challenge by the Silva board. The PCC analyses our performance against our financial targets and operational key performance indicators to ensure we are providing value for money in the provision of services for our customers, in the maintenance, repair and improvement of our housing properties and in the development of new homes. It also reviews the delivery and achievements of the projects in our integrated strategic delivery plan which underpin the achievement of the improvements required in our efficiency and effectiveness to support our strategic plan and business strategies.

Set out below is our performance against the measures set out in our value for money framework. We have compared the performance we achieved against our targets and against peer group benchmarks. Where our performance has not met our targets or is below the benchmark, we have explained the reasons and set out the plans we have to improve our performance. We have also set out targets for the

measures for 2020/21. These targets were set before the UK lockdown was implemented in response to Covid-19 in March 2020 and it is clear the social and economic restrictions imposed will lead to a recession in 2020/21 which means it will not be possible to achieve many of these targets. A full re-forecast of our financial performance, along with revised targets, will be presented to the Silva board in October 2020 when we hope that the lockdown will have been successfully and significantly eased, a clearer picture will have emerged of the effectiveness of the government's response to the pandemic and more reliable predictions can be made for the rest of the year. The executive board, through the PCC, and the Silva board will continue to regularly scrutinise our performance during the year.

A particular factor which affects our value for money metrics is that we have a disproportionate amount of flatted stock much of which was built around the same time and which is consequently ageing at the same rate. As referenced earlier, we have identified a number of blocks where additional investment is required over and above routine component replacements. For investment appraisal purposes we refer to these as the 'ring-fenced' schemes as the resources required are ring-fenced in our financial plan. During 2019/20 we continued with the refurbishment of one of these schemes at Iveagh Court, and the significant issues and costs encountered are documented earlier. In addition, we have started to plan for the refurbishment of another of the ring-fenced schemes at Boyd Court and work on this is expected to commence during 2020/21. Two other ring-fenced schemes are beyond economic repair and will now be redeveloped in the next two to three years. These stock investment issues have had a direct negative impact on some of our metrics for 2019/20 as explained below.

We also continue to spend significant sums in maintaining the external environment associated with our housing estates. We have large areas of open space and around 12,000 trees. In 2019/20 we spent almost £850,000 in meeting this commitment and although we had targeted cost savings in our budget for 2019/20 we incurred higher expenditure on tree safety works during the year than had been anticipated. Whilst efficiencies will continue to be sought it is recognised that ongoing maintenance and health and safety compliance, will cost us far more than most associations of our size.

At the end of the following section we have also set out a report of our performance against our internal value for money objectives for 2019/20. Our internal objectives for 2020/21 include the following:

#### **Pro-active asset management**

- To complete the refurbishment of Iveagh Court within budget, providing returning and new customers with high-quality, long-lasting, more energy efficient homes.

- To produce detailed plans and commence the regeneration of two of our other ring-fenced schemes at Bay House and Barn Close to ensure replacement stock meets the needs of customers through high-quality, long-lasting, more energy efficient homes.
- To use the data from our asset grading exercise to ensure that the planned long-term investment in major repairs is targeted to provide best value for money.
- To deliver 186 new homes, primarily through section 106 schemes.

#### **Delivering value for money gains**

- To beat our arrears target of 2.2% despite the increasing proportion of rent being paid through universal credit rather than housing benefit.
- To deliver a further £250k of savings through effective procurement and supplier management.
- Achieve 80% of tenant households registered on our MySilva portal to allow them to check their rent balance, book repairs and complete other tenancy management tasks and enquiries.
- Reduce void repair and re-let times such that customers can move in within five days of the property being available.

#### **Getting the most from people**

- Reduce sickness absence by 25% from around 10.5 days per annum per employee to 7.9 days

#### **Value for Money Standard and the Sector Scorecard**

In the tables below, the measures marked with a star (\*) are required by the regulator as part of its Value for Money Standard which was updated in April 2018. The other measures comprise the remaining elements of the Sector Scorecard.

We have set out our actual results for the last two years with a comparison to our targets for 2019/20 for the Sector Scorecard measures. We have also shown the targets which were included in our budget for 2020/21 for those measures along with a comparison to our peer group data for 2018/19 (which lag a year behind but are the latest available). The peer group is HouseMark data for associations with between 2,500 and 10,000 units based in southern England.

We are working to mitigate as much as possible the impact of Covid-19 on our performance for 2020/21 but we do not now expect to be able to meet all the targets set out in our budget which was approved before the UK-wide lockdown was implemented on 23 March 2020. In particular we have been unable to make significant progress with our major works and development plans during the first quarter of 2020/21 due to government restrictions, we also expect to see an increase in arrears and bad debts as a result of the recession arising from the coronavirus but the cost of operating our business has increased. We have incurred

additional costs for personal protective equipment to keep our colleagues safe, have made recognition payments to colleagues who undertook work in occupied homes at the height of the pandemic and have incurred other costs to ensure the continued safety of our customers and colleagues. In addition we decided to bear the payroll cost of colleagues who were unable to perform their regular tasks because they could not work from home but were medically shielding but used additional external contractor services in order to maintain our schedule of property compliance checks such as gas safety.

A. Business health		Silva Homes				Peer group	
		20/21 target	19/20 actual	19/20 target	18/19 actual	18/19 upper quartile	18/19 median
(1a)	Operating margin (overall) *	See (1b)	23.3%	See (1b)	27.5%	38.3%	30.9%
(1b)	Operating margin (overall) - excluding impairments	33.2%	23.3%	25.9%	28.2%	-	-
(2a)	Operating margin (social housing lettings)	-	21.4%	-	28.3%	40.2%	30.9%
(2b)	Operating margin (social housing lettings) - excluding impairments	-	21.4%	-	29.1%	-	-
(3)	EBITDA-MRI as % of interest cost *	181%	135%	146%	221%	221%	191%

Overall operating margin of 23.3% for 2019/20 was lower than our target of 25.9% but below the peer group median comparator.

The lower than target margin was due to the higher than anticipated spend on our strategic transformation projects in the year. The implementation of our organisational redesign resulted in significantly higher restructuring costs than anticipated but has delivered a new structure that is aligned with our new operating model and supports the achievement of our strategic objectives and vision.

As mentioned above the poor condition and construction methods of a number of our flatted schemes means that we are incurring a higher cost of major repairs than our peer group to address these issues. We incurred some £5m of operating expenditure on these schemes in 2019/20. If these costs, along with the one-off costs relating to our organisational re-design, are removed from the calculation then our adjusted margin stands at 35.9%. We expect that the need for continuing investment in these flatted schemes will impact on our future performance compared to the peer group comparator in each year, however it will ensure the stock meets the needs of our customers and our health and safety obligations.

Our budget for 2020/21 included a target operating margin of 33.2% (excluding any adjustment for continuing investment in the flatted schemes referred to above) but we expect this to come under pressure due to the financial impact of Covid-19 on our operations.

Our operating margin on social housing lettings shows a similar pattern to that for our overall operating margin.

The higher cost of implementing our organisational redesign resulted in our EBITDA-MRI interest figure of 135% being below our target of 146% for 2020/21 but above the tightest limit required by our lenders of 120%. Our reported figure is below the peer group comparator figures due to the operating and capital expenditure of £9.2m in the year related to the flatted schemes referred to above. Our target for 2020/21 of 181% includes a planned reduction in spend on the flatted schemes compared to 2019/20 but also may not be achieved due Covid-19 although we do not anticipate any difficulty in meeting the requirements of our lenders.

B. Development - capacity and supply		Silva Homes				Peer group	
		20/21 target	19/20 actual	19/20 target	18/19 actual	18/19 upper quartile	18/19 median
(4)	New supply added - social (as a % of existing stock) *	2.7%	2.8%	3.4%	2.7%	2.3%	1.7%
(5)	New supply added - non-social (as a % of existing stock) *	-	-	-	-	0.1%	0.0%
(6)	Gearing *	39.6%	33.6%	38.4%	30.9%	35.3%	46.9%

Our new supply percentage of 2.8% (188 units) for 2019/20 was below our target of 3.4% (232 units) but within the upper quartile of our peer group for 2018/19. This shortfall was mainly due to fewer opportunities for 'off the shelf' purchases of new units from developers for shared ownership and we were only able to realise 10 of the 40 we had included in our budget. The remaining shortfall of 14 units from existing Section 106 schemes was partly due to a slow-down in completing handovers in early March 2020 ahead of the full UK lockdown in response to Covid-19.

Our budget target for 2020/21 is 2.7% (186 units). This was considered to be a realistic figure, comprising 115 from contracted Section 106 schemes, 57 from our pipeline of uncommitted Section 106 schemes and just 14 from 'off the shelf' purchases or other new opportunities. The slowdown in development during the first three months of 2020/21 and the ongoing uncertainty in the housing market due to Covid-19, means our current prediction is that achieving half this figure now represents as reasonable ambition for 2020/21. We are hoping that the pace of development will recover during 2021/22 and we are working with developers to

ensure we are ready to realise as many Section 106 opportunities as possible as well as considering possible regeneration schemes to produce new units on our own sites and looking for land to purchase for future development. The additional £25m loan we agreed with bLEND in 2019/20 means we have the funding in place to realise these opportunities.

Gearing is not a constraint and our critical asset/debt covenant is debt-per-unit (excluding shared ownership homes), which was £29k as at 31 March 2020. The debt per unit figure allowed by our covenant with Barclays (our principal lender) is £48k so we have significant headroom within this limit and it is sufficient to support our current development programme. The group has an objective to maximise development to meet housing need but is also committed to ensuring that existing stock continues to be kept to a good standard whilst managing costs effectively. The Silva board continues to take specialist advice to determine how best to achieve these objectives with investment balanced between new development and investment in existing homes. Despite the impact of Covid-19 we are still aiming to develop at least 1,100 properties over the five years to 2024/25.

Our gearing increased from 2018/19 to 2019/20 as we invested in new homes and major repairs. Our gearing is still lower than the 2018/19 upper quartile figure for our peer group but our budget for 2020/21 shows a further increase in the expectation that we would arrange further new loans in order to fund our development aspirations. The timing of entering into agreements for new loans is now being reconsidered as our development aspirations for 2020/21 have been scaled back due to Covid-19.

C. Outcomes delivered		Silva Homes				Peer group	
		20/21 target	19/20 actual	19/20 target	18/19 actual	18/19 upper quartile	18/19 median
(7)	Customer satisfaction	82%	87%	88%	88%	88%	84%
(8)	Reinvestment *	11.0%	9.6%	11.0%	8.2%	7.1%	6.2%
(9)	Financial investments in communities	See narrative	£96k	See narrative	£245k	£722k	£257k

To provide information on customer satisfaction we have commissioned independent surveys in relation to our customer contact hub and our repairs service which are our highest volume customer interactions. Around 3,000 surveys are undertaken each year and the blended overall satisfaction rating was 87% in 2019/20. This was slightly lower than our target of 88%, which was the actual figure we achieved in 2018/19. Our figure for 2019/20 means we are just outside the upper quartile of peer group comparator data for 2018/19. We commissioned a broader survey of customer perception during 2019/20 which reported an overall customer satisfaction

of 82%. We will be repeating this survey on an annual basis and it will be used as the baseline measure of customer satisfaction going forward. We have set ourselves the target of maintaining this score of 82% for 2020/21. While customer safety and service have remained key objectives for us in the first few months of 2020/21 it is not yet clear what impact Covid-19 will have on customer satisfaction over the full year. The peer group comparative data relates to the latest STAR survey.

Reinvestment in new and existing homes as a percentage of the value of our housing properties was 9.6% in 2019/20 compared to our target for the year of 11.0%. In 2019/20 we spent £29.7m (target £36.2m) on building new homes and £9.7m (target £9.8m) on refurbishments and major repairs to our existing properties. The shortfall against our target for building new homes was mainly due to the lack of opportunities for 'off the shelf' purchases of new units from developers for shared ownership. Our target for 2020/21 is to spend £42.3m on new homes and £8.8m of capital expenditure on refurbishments and major repairs but these figures are subject to the impact of Covid-19 which has already reduced them compared to our budget for the first three months of the year.

In 2019/20 we had not set a specific target for financial investment in our communities but spent £96k. This is a reduction compared to our spend in 2018/19 but reflects our focus on supporting specific projects which are most aligned with our strategic objectives and which will give the greatest benefit both to the organisation and our customers through targeted support to address financial hardship, promote digital skills and social inclusion, and support young people on our estates.

D. Effective asset management		Silva Homes				Peer group	
		20/21 target	19/20 actual	19/20 target	18/19 actual	18/19 upper quartile	18/19 median
(10a)	Return on capital employed (ROCE)*	See (10b)	2.5%	See (10b)	3.0%	4.8%	3.5%
(10b)	Return on capital employed (ROCE) - excluding impairments	3.3%	2.5%	3.1%	3.0%	-	-
(11)	Occupancy rate - general needs	99.3%	99.4%	99.3%	99.4%	99.7%	99.5%
(12)	Ratio of expenditure on responsive repairs to planned maintenance	0.39	0.26	0.23	0.33	0.38	0.54

Our overall return on capital employed underlying return on capital employed decreased from 3.0% in 2018/19 to 2.5% in 2019/20. This reduction is largely due to the higher rate of increase in operating costs for responsive repairs, major works

and our transformation projects compared to the increase in capital employed from investment in our properties net of depreciation for the year. The target included in our budget for 2020/21 is 3.3% but the actual result is now expected to be lower due to the impact of Covid-19.

We revalued our properties to deemed cost in 2014/15 as part of the transition to FRS 102 which resulted in a significant uplift to their carrying value. Not all associations undertook a similar revaluation and so they have lower carrying values for their properties and this contributes to higher peer group return on capital employed figures.

We had an occupancy rate of 99.4% at the end of the year which was better than our own target of 99.3% for 2019/20 but slightly below the peer group median figure. We have maintained our target for 2020/21 at 99.3%.

Our level of investment in major repairs (including our ring-fenced schemes (RFS)) means that our ratio of expenditure on responsive to major repairs is in the upper quartile of our comparator peer group i.e. we have a high spend on major repairs in proportion to spend on responsive repairs. Our actual ratio of 0.26 in 2019/20 was slightly higher than our target of 0.23 as a result of higher spend on responsive repairs than we had budgeted. Our target for 2020/21 is 0.39 as we expect to spend significantly less on major repairs for our ring-fenced schemes, as one refurbishment project will be completed in the year, while increasing our spend on responsive repairs.

E. Operating efficiencies		Silva Homes				Peer group	
		20/21 target	19/20 actual	19/20 target	18/19 actual	18/19 upper quartile	18/19 median
(13)	Headline social housing cost per unit*	£4,259 (£4,457 inc RFS)	£3,783 (£5,087 inc RFS)	£3,465 (£4,889 inc RFS)	£3,219 (£4,027 inc RFS)	£3,166	£3,979
(14)	% of annual rent collected	100.0%	99.7%	100.0%	100.0%	100.3%	99.8%
(15)	Overheads as a % of adjusted turnover	N/A	11.4%	N/A	11.1%	9.5%	11.7%

Excluding expenditure on our ring-fenced schemes, our actual headline cost per unit for 2019/20 was £3,783. This was higher than our target of £3,465 for the year and sits between the median and upper quartile figures for our peer group. Our target for 2021/21 is higher than our actual figure for 2019/20 largely reflecting a higher budget for capital expenditure on major repairs compared to the costs actually incurred in 2019/20. The ageing nature of our stock which has its origins in the new town development of Bracknell in the 1950s and 1960s, including non-traditional methods of construction, contributes to our higher repair costs per unit.

Our management cost per unit of £1,495 for 2019/20 was higher than our figure for 2018/19 of £1,289 and higher than the median peer group figure of £924 for 2018/19. The main reason for the increase was our investment in our five-year transformation projects, particularly the organisational redesign which was completed during 2019/20. These projects are designed to realise annualised savings of £1m per annum once fully implemented but we will be reviewing the impact of our increased focus on health and safety compliance on this target with the Silva board during 2020/21. Achieving our development programme of an average of 220 new homes each year will reduce our management cost per unit in the longer term.

Our average service charge per unit increased from £382 in 2018/19 to £479 in 2019/20 and is higher than the median figure for our peer group of £359 in 2018/19. We are actively looking for opportunities to reduce service charges including through procurement savings. Our maintenance cost per unit of £740 in 2019/20 was higher than our figure of £592 for 2018/19 but is in the upper quartile for the peer group data for 2018/19. We continue to look for ways of improving the quality of our maintenance while ensuring we keep costs down.

Our major repairs cost of £1,763 per unit in 2019/20 was a significant increase on our figure of £844 for 2018/19 and is much higher than the peer median figure of £823 for 2018/19. This represents a significant investment in maintaining and improving our stock during the year with the key elements being £2.7m spent on heating systems, £1.4m on kitchens and bathrooms, and £0.7m on new roofs. Our budget for 2020/21 included a further increase in this investment although the impact of Covid-19 may mean the deferral of some works.

We collected 99.7% of our annual rent due but this was below our target of 100% and means our performance was below the median figure for our peer group for 2018/19 which is attributed to the higher than anticipated transition of tenants to Universal Credit from Housing Benefit.

Our overheads were 11.4% of adjusted turnover for 2019/20 which was a slight increase on the 2018/19 figure of 11.1% but is below the 2018/19 median benchmark figure. We have not set a target for 2020/21 due to the ongoing impact of Covid-19.

## **Internal controls assurance**

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

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

Key elements of the control framework in place during the period include:

- Board approved terms of reference and delegated authorities for committees.
- An internal audit programme which is agreed by the audit committee and carried out by the group's internal auditors, BDO. The annual report of the internal auditors contained the following findings:
  - The risk management activities and controls in the areas which we examined were found to be suitably designed to achieve specific risk management, control and governance objectives
  - Based on our verification reviews and sample testing, risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the related risk management, control and governance objectives were achieved for the period under review.
  - Sufficient internal audit work has been undertaken to allow them to draw reasonable conclusions as to the adequacy and effectiveness of Silva Homes' risk management, control and governance processes.
- Detailed financial budgets and forecasts.
- Monthly executive and quarterly board reporting of financial and operational performance.
- Treasury management policy which is reviewed each year along with the annual treasury plan.
- Regular reporting to the appropriate committees and board on key business objectives, targets and outcomes.
- Quality management systems.
- Whistle-blowing policy.
- Anti-fraud and theft policy, covering prevention, detection and reporting of fraud, and the recovery of assets.
- Anti-money laundering policy and anti-slavery statement in place.
- Anti-bribery policy.
- Colleague gifts and hospitality policy.

A fraud register is maintained and is reviewed by the audit committee at each meeting. The Silva board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the audit committee to review regularly the effectiveness of the system of internal control. The Silva board receives reports from the audit committee together with minutes of its meetings.

The Silva board has received the executive board's annual review of the effectiveness of the system of internal control for the group, and the annual report of the internal auditor. The audit committee endorsed the findings that the group has effective systems of internal controls and recommended the report to the board for approval.

## Statement of the Responsibilities of the Board

The board is responsible for preparing the board's report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Co-operative and Community Benefit Societies Act 2014 and registered provider legislation in the United Kingdom require the board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group at the end of the period and of the surplus or deficit of the group for the period then ended. Under those regulations, the board has elected to prepare financial statements in accordance with UK accounting standards including FRS 102, the Financial Reporting Standard applicable in the UK.

In preparing those financial statements the board is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards and the Statement of Recommended Practice have been followed subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and association will continue in business.

The Silva board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It is also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Silva board is responsible for the maintenance and integrity of the corporate and financial information on the group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

### Governance statement

The Regulator of Social Housing undertook an in-depth assessment of the group during 2018/19 and confirmed the governance and financial viability assessment of G1/V1. This was reaffirmed again in November 2019. This confirms that the group

meets the regulatory requirements.

The group is required to demonstrate compliance with all of the regulatory standards and specifically to report on compliance with the governance & financial viability standard. This incorporates a number of requirements for registered providers including the maintenance of an asset and liability register, robust stress testing of financial plans and understanding the risks within the business model with specific reference to the security of social housing assets. The Silva board reviewed the group's comprehensive report on compliance against the requirements and expectations with all of the standards in July 2020 and is satisfied that it has complied with these during 2019/20. As a consequence of the review it has also identified a small number of actions that will help it strengthen compliance and these actions will be monitored by the audit committee (as it did for the small number of actions identified in the 2019 review - all of which were completed by June 2020).

Part of the governance & financial viability standard requires registered providers to adopt and comply with a code of governance. The group has adopted the NHF Code of Governance (2015 Edition) - and has responded to the consultation on the 2020 update to the code. The Silva board reviewed the group's comprehensive report on compliance against the NHF code of governance in July 2020 and is satisfied that it has complied with the code during 2019/20. No actions in the 2020 review were identified to strengthen compliance (a small number of actions were identified in the 2019 review - all of which were completed by June 2020).

All required disclosures have been made and a register maintained regarding gifts and hospitality accepted, declined and given by board members and colleagues. This has been further supported by the implementation of a new colleague gifts and hospitality policy.

The Silva board is satisfied that the effectiveness of the group's governance is enhanced by its policies, procedures and arrangements; and its regular review of individual board member performance and collective board effectiveness.

## **Going concern**

The group's business activities, and the factors likely to affect its future development, are set out within the strategic report and board report. The group has considerable financial resources and a robust financial plan with a stable source of income, which have been discussed earlier in the report. As a consequence, the board believes that the group is well placed to manage its business risks successfully despite the current uncertain economic environment caused by Covid-19 and is confident the group will continue to operate within its banking covenants.

A detailed report was presented to the Silva board in May 2020 setting out an assessment prepared by the executive directors of the likely impact that Covid-19 will have on the financial performance of the group in 2020/21 and its financial plan for the following four years. This impact was also stress tested with a range of worse scenarios. Based on this report, and after making further enquiries, the Silva board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, being a period of more than 12 months after the date of which the report and the financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

### **Disclosure of information to the auditor**

At the date of making this report each of the group's board members, as set out on page 1, confirm the following:

- so far as each board member is aware, there is no relevant audit information needed by the group's auditor in connection with preparing their report of which the group's auditor is unaware
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information needed by the group's auditor in connection with preparing their report and to establish that the group's auditor is aware of that information.

### **External auditor**

Mazars LLP were appointed as the group's external auditor in February 2016.

### **Statement of compliance**

In preparing the strategic report and statement of responsibilities of the board, the Silva board has followed the principles set out in the SORP 2018.

The strategic report and statement of responsibilities of the board was approved by the board on 30 July 2020 and signed on its behalf by:



Graeme Stanley

Chair

## Independent Auditor's Report to the Members of Silva Homes Limited

### Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent association's affairs as at 31 March 2020 and of the group's and the parent association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

### Basis for opinion

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

Emphasis of matter - Going concern and the impact of the Covid-19 outbreak on the financial statements

In forming our opinion on the group and parent association financial statements, which is not modified, we draw your attention to the board's view on the impact

of Covid-19 as disclosed on pages 5 and 37 and the consideration in the going concern basis of preparation on page 55.

During the latter part of the financial year, there has been a global pandemic from the outbreak of Covid-19. The potential impact of Covid-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The impact of Covid-19 is still evolving and, based on the information available at this point in time, the board have assessed the impact of Covid-19 on the business and reflected the board's conclusion that adopting the going concern basis for preparation of the financial statements is appropriate.

### **Conclusions relating to going concern**

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

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

### **Other information**

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

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

We have nothing to report in this regard.

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

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

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

#### **Responsibilities of the board**

As explained more fully in the Statement of the Board's responsibilities set out on page 36, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

**Use of the audit report**

This report is made solely to the group's members as a body in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the parent association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent association and the parent association's members as a body for our audit work, for this report, or for the opinions we have formed.

*Mazars LLP*

Mazars LLP  
Chartered Accountants and Statutory Auditor  
45 Church Street  
Birmingham  
B3 2RT

*24 September 2020*

## Consolidated statement of comprehensive income for the year ended 31 March 2020

	<i>Note</i>	2020 £'000	2019 £'000
<b>Turnover</b>	<i>3a</i>	50,042	45,274
Cost of sales	<i>3a</i>	(6,706)	(4,374)
Operating costs	<i>3a</i>	(31,659)	(28,431)
Surplus on disposal of property, plant and equipment	<i>6</i>	478	874
<b>Operating surplus</b>		12,155	13,343
Interest receivable and similar income	<i>8</i>	134	249
Interest payable and similar charges	<i>9</i>	(5,790)	(5,565)
Other finance charges	<i>5</i>	(269)	(320)
<b>Surplus before taxation</b>	<i>10</i>	6,230	7,707
Taxation	<i>11</i>	-	-
<b>Surplus for the year</b>		6,230	7,707
Actuarial gain relating to pension scheme	<i>5</i>	1,850	1,566
<b>Total comprehensive income for the year</b>		8,080	9,273

The consolidated results relate wholly to continuing activities.

**Association statement of comprehensive income  
for the year ended 31 March 2020**

	<i>Note</i>	2020 £'000	2019 £'000
Turnover	<i>3b</i>	50,042	45,274
Cost of sales	<i>3b</i>	(6,706)	(4,491)
Operating costs	<i>3b</i>	(31,496)	(28,407)
Surplus on disposal of property, plant and equipment	<i>6</i>	478	874
<b>Operating surplus</b>		<b>12,318</b>	<b>13,250</b>
Interest receivable and similar income	<i>8</i>	134	249
Interest payable and similar charges	<i>9</i>	(5,790)	(5,565)
Other finance charges	<i>5</i>	(269)	(320)
Gift aid receivable from subsidiary undertaking		813	350
<b>Surplus before taxation</b>	<i>10</i>	<b>7,206</b>	<b>7,964</b>
Taxation	<i>11</i>	-	-
<b>Surplus for the year</b>		<b>7,206</b>	<b>7,964</b>
Actuarial gain relating to pension scheme	<i>5</i>	1,850	1,566
<b>Total comprehensive income for the year</b>		<b>9,056</b>	<b>9,530</b>

The association's results relate wholly to continuing activities.

## Consolidated statement of financial position as at 31 March 2020

	<i>Note</i>	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Intangible assets	12	382	532
Housing properties	13	411,341	380,407
Other property, plant and equipment	14	696	1,126
Investments	16	-	-
		412,419	382,065
<b>Current assets</b>			
Properties developed for sale	17	4,513	4,828
Debtors	18	39,029	42,384
Cash and cash equivalents		44,046	31,451
		87,588	78,663
<b>Creditors: amounts falling due within one year</b>	19	(9,342)	(12,669)
<b>Net current assets</b>		78,246	65,994
<b>Total assets less current liabilities</b>		490,665	448,059
<b>Creditors: amounts falling due after more than one year</b>	20	(235,922)	(199,980)
Pension liability	5	(10,314)	(11,730)
<b>Net assets</b>		244,429	236,349
<b>Capital and reserves</b>			
Share capital	23	-	-
Revenue reserve		103,779	94,354
Revaluation reserve		140,650	141,995
<b>Total capital and reserves</b>		244,429	236,349

These financial statements were approved by the board of management and authorised for issue on 30 July 2020. They were signed on its behalf by:

  
**Graeme Stanley**  
*Chair*

  
**Valerie Lynch**  
*Company Secretary*

  
**Iain Bacon**  
*Chair, Audit Committee*

**Consolidated statement of changes in reserves  
for the year ended 31 March 2020**

	Revenue reserve £'000	Revaluation reserve £'000	Total £'000
At 1 April 2019	94,354	141,995	236,349
Surplus for the year	6,230	-	6,230
Actuarial gain in respect of pension schemes	1,850	-	1,850
Revalued cost of disposed assets	133	(133)	-
Depreciation of revalued assets	1,212	(1,212)	-
At 31 March 2020	<u>103,779</u>	<u>140,650</u>	<u>244,429</u>
	Revenue reserve £'000	Revaluation reserve £'000	Total £'000
At 1 April 2018	83,545	143,531	227,076
Surplus for the year	7,707	-	7,707
Actuarial gain in respect of pension schemes	1,566	-	1,566
Revalued cost of disposed assets	397	(397)	-
Depreciation of revalued assets	1,139	(1,139)	-
At 31 March 2019	<u>94,354</u>	<u>141,995</u>	<u>236,349</u>

**Association statement of financial position  
as at 31 March 2020**

	<i>Note</i>	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Intangible assets	12	382	532
Housing properties	13	414,180	382,236
Other property, plant and equipment	14	696	1,126
Fixed asset investments	16	1	1
		<u>415,259</u>	<u>383,895</u>
<b>Current assets</b>			
Properties developed for sale	17	4,602	4,864
Debtors	18	39,187	42,395
Cash and cash equivalents		43,405	30,778
		<u>87,194</u>	<u>78,037</u>
<b>Creditors: amounts falling due within one year</b>	19	<u>(9,770)</u>	<u>(12,831)</u>
<b>Net current assets</b>		<u>77,424</u>	<u>65,206</u>
<b>Total assets less current liabilities</b>		492,683	449,101
<b>Creditors: amounts falling due after more than one year</b>	20	(235,922)	(199,980)
Pension liability	5	<u>(10,314)</u>	<u>(11,730)</u>
<b>Net assets</b>		<u>246,447</u>	<u>237,391</u>
<b>Capital and reserves</b>			
Share capital	23	-	-
Revenue reserve		105,798	95,397
Revaluation reserve		<u>140,649</u>	<u>141,994</u>
<b>Total capital and reserves</b>		<u>246,447</u>	<u>237,391</u>

These financial statements were approved by the board of management and authorised for issue on 30 July 2020. They were signed on its behalf by:



**Graeme Stanley**  
Chair



**Valerie Lynch**  
Company Secretary



**Iain Bacon**  
Chair, Audit Committee

**Association statement of changes in reserves  
for the year ended 31 March 2020**

	Revenue reserve £'000	Revaluation reserve £'000	Total £'000
At 1 April 2019	95,397	141,994	237,391
Surplus for the year	7,206	-	7,206
Actuarial gain in respect of pension scheme	1,850	-	1,850
Revalued cost of disposed assets	133	(133)	-
Depreciation of revalued assets	1,212	(1,212)	-
At 31 March 2020	<u>105,798</u>	<u>140,649</u>	<u>246,447</u>

	Revenue reserve £'000	Revaluation reserve £'000	Total £'000
At 1 April 2018	84,331	143,530	227,861
Surplus for the year	7,964	-	7,964
Actuarial gain in respect of pension scheme	1,566	-	1,566
Revalued cost of disposed assets	397	(397)	-
Depreciation of revalued assets	1,139	(1,139)	-
At 31 March 2019	<u>95,397</u>	<u>141,994</u>	<u>237,391</u>

**Consolidated statement of cash flows  
for the year ended 31 March 2020**

	<i>Note</i>	2020 £'000	2019 £'000
<b>Net cash generated from operating activities</b>	<i>(ii)</i>	19,484	17,559
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(41,566)	(29,469)
Proceeds from sale of property, plant and equipment		2,243	2,062
Grants received		333	301
Interest received		134	249
<b>Net cash flows from investing activities</b>		(38,856)	(26,857)
<b>Cash flows from financing activities</b>			
Interest paid		(7,139)	(6,704)
New loans		33,000	-
Premium on loan issue		6,106	-
<b>Net cash flows from financing activities</b>		31,967	(6,704)
<b>Net increase/(decrease) in cash and cash equivalents</b>		12,595	(16,002)
Cash and cash equivalents at the beginning of the year		31,451	47,453
<b>Cash and cash equivalents at end of year</b>		44,046	31,451

Notes to the consolidated cash flow statement  
for the year ended 31 March 2020

(i) Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand	26,337	11,517
Short term deposits	17,709	19,934
	<hr/>	<hr/>
Cash and cash equivalents	<u>44,046</u>	<u>31,451</u>

ii) Reconciliation of surplus for year to net cash generated from operating activities

	2020 £'000	2019 £'000
Surplus for year	6,230	7,707
<b>Adjustment for non-cash items:</b>		
Depreciation of property, plant and equipment	7,130	6,557
Impairment of property, plant and equipment	-	293
Amortisation of intangible assets	164	164
Amortisation of government grants	(75)	(73)
Actuarial pensions cost less contributions payable	165	75
Decrease/(increase) in properties developed for sale	315	(1,558)
Decrease in debtors	3,355	2,096
Decrease in creditors	(3,247)	(2,464)
Net book value of property, plant and equipment disposals	1,765	1,188
<b>Adjustments for investing or financing activities:</b>		
Proceeds from the sale of property, plant and equipment	(2,243)	(2,062)
Interest paid	6,059	5,885
Interest received	(134)	(249)
	<hr/>	<hr/>
Net cash generated from operating activities	<u>19,484</u>	<u>17,559</u>

Notes to the consolidated cash flow statement (continued)  
for the year ended 31 March 2020

iii) Analysis of net debt

	As at 1 April 2019 £'000	Cash flow £'000	As at 31 March 2020 £'000
Cash and cash equivalents	31,451	12,595	44,046
Debt due after more than one year: Loans	<u>(149,000)</u>	<u>(33,000)</u>	<u>(182,000)</u>
Total net debt	<u>(117,549)</u>	<u>(20,405)</u>	<u>(137,954)</u>

**Association statement of cash flows  
for the year ended 31 March 2020**

	<i>Note</i>	2020 £'000	2019 £'000
<b>Net cash generated from operating activities</b>	<i>(ii)</i>	20,527	17,774
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(42,577)	(30,055)
Proceeds from sale of property, plant and equipment		2,243	2,062
Grants received		333	301
Interest received		134	249
<b>Net cash flows from investing activities</b>		(39,867)	(27,443)
<b>Cash flows from financing activities</b>			
Interest paid		(7,139)	(6,704)
New loans		33,000	-
Premium on loan issue		6,106	-
<b>Net cash flows from financing activities</b>		31,967	(6,704)
Net increase/(decrease) in cash and cash equivalents		12,627	(16,373)
Cash and cash equivalents at the beginning of the year		30,778	47,151
<b>Cash and cash equivalents at end of year</b>		<b>43,405</b>	<b>30,778</b>

Notes to the association cash flow statement  
for the year ended 31 March 2020

(i) Cash and cash equivalents

Reconciliation to cash at bank and in hand	2020 £'000	2019 £'000
Cash at bank and in hand	25,696	10,844
Short term deposits	17,709	19,934
Cash and cash equivalents	<u>43,405</u>	<u>30,778</u>

ii) Reconciliation of surplus for the year to net cash generated from operating activities

	2020 £'000	2019 £'000
Surplus for year	7,206	7,964
<b>Adjustment for non-cash items:</b>		
Depreciation of property, plant and equipment	7,130	6,557
Impairment of property, plant and equipment	-	293
Amortisation of intangible assets	164	164
Amortisation of government grants	(75)	(73)
Actuarial pensions cost less contributions payable	165	75
Decrease/(increase) in properties for sale	262	(1,594)
Decrease in debtors	3,377	2,093
Decrease in creditors	(3,149)	(2,467)
Net book value of property, plant and equipment disposals	1,765	1,188
<b>Adjustments for investing or financing activities:</b>		
Proceeds from the sale of property, plant and equipment	(2,243)	(2,062)
Interest paid	6,059	5,885
Interest received	(134)	(249)
Net cash generated from operating activities	<u>20,527</u>	<u>17,774</u>

Notes to the association cash flow statement (continued)  
for the year ended 31 March 2020

iii) Analysis of net debt

	As at 1 April 2019 £'000	Cash flow £'000	As at 31 March 2020 £'000
Cash and cash equivalents	30,778	12,627	43,405
Debt due after more than one year: Loans	<u>(149,000)</u>	<u>(33,000)</u>	<u>(182,000)</u>
Total net debt	<u>(118,222)</u>	<u>(20,373)</u>	<u>(138,595)</u>

## Notes to the financial statements 31 March 2020

### 1. Legal status

Silva Homes Limited is a Registered Society under the Co-operative and Community Benefit Societies Act 2014 and is registered with Homes England as a Registered Provider of social housing in England. The address of the association is shown in the general information on page 2.

### 2. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and in the preceding year.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (March 2018) (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2018 Update (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2019. Silva Homes Limited is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

The March 2018 edition of FRS 102 includes amendments arising from the Financial Reporting Council's triennial review of the standard.

#### Going Concern

After reviewing the association's forecasts and projections, and considering the implications of the Covid-19 pandemic on cashflows, the Silva board has a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the association has continued to adopt the going concern in preparing its financial statements.

#### Basis of consolidation

The group financial statements consolidate the financial statements of the association and its subsidiary undertaking drawn up to 31 March each year.

#### Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants from Homes England and other public authorities, and the

**Notes to the financial statements (continued)**  
**31 March 2020**

**2. Accounting policies (continued)**

proceeds of first tranche shared ownership sales and of other properties developed for sale.

**Property, plant and equipment - housing properties**

At the point of transition the FRS 102, being 1 April 2014, the association revalued its housing properties using existing use value - social housing basis and used that as its deemed cost at that date. After the date of transition, housing properties are stated at cost less accumulated depreciation and accumulated impairment losses. Revalued housing properties are stated at deemed cost less accumulated depreciation and accumulated impairment losses.

**Property, plant and equipment - housing properties (continued)**

Cost includes the cost of acquiring land and buildings, development costs, interest capitalised during the development period, directly attributable administration costs, and expenditure incurred in improving or reinvesting in existing properties.

Reinvestment expenditure is capitalised where works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. The cost of replacing major components is capitalised. All other repair and replacement expenditure is charged to the statement of comprehensive income.

Under shared ownership arrangements, there is a disposal of a long lease of housing units to persons who occupy them, at a premium equal to between 25% and 75% of the open market value (the 'first tranche'). The occupier has the right to purchase further proportions at the current valuation at that time up to 100% ('staircasing').

A shared ownership property comprises of two assets: that to be disposed of in the first tranche sale, which is recorded as a current asset; and that retained by the group, which is recorded as a fixed asset.

Proceeds of sale of first tranches are accounted for as turnover in the statement of comprehensive income, with the apportioned cost being shown within operating results as the cost of sale.

**Notes to the financial statements (continued)**  
**31 March 2020**

**2. Accounting policies (continued)**

Subsequent tranches sold ('staircasing sales') are disclosed in the statement of comprehensive income as a surplus or deficit on sale of property, plant and equipment. Such staircasing sales may result in capital grant being deferred or abated and this is credited in the sales account in arriving at the surplus or deficit.

Depreciation is charged on a straight-line basis over the useful economic lives of housing properties to write off the cost to the estimated residual value. For properties held on short lease the maximum period of depreciation is that of the remaining lease. Freehold land is not subject to depreciation.

Housing properties are split between the structure and those major components which require periodic replacement. Replacement or restoration of such major components is capitalised and depreciated over the average estimated useful life which has been set taking into account professional advice, the group's asset management strategy and the requirements of the Decent Homes Standard.

**Property, plant and equipment - housing properties and depreciation**

The components to which the board has disaggregated the housing properties balance and the useful economic lives of each component are as follows:

Structure	100 years
Bathrooms	30 years
Digital aerials	10 years
Heating	15 years
Kitchens	20 years
Roofing (flat)	20 years
Roofing (pitched)	60 years
Windows	30 years
Wiring	30 years

For shared ownership accommodation it is the group's policy to ensure resident shared owners meet their obligations of maintaining the property in a continuous state of sound repair. The group considers that any depreciation calculation based

**Notes to the financial statements (continued)**  
**31 March 2020**

**2. Accounting policies (continued)**

on the current values of the properties would be insignificant, due to the large residual values and long economic lives.

**Non-housing property, plant and equipment**

Non-housing property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected useful economic lives of other fixed assets at the following annual rates:

Leasehold improvements	20 years or the life of the lease if shorter
Office furniture and equipment	5 years
Vehicles and plant	5 years
Computer hardware	3-5 years

**Intangible assets**

Intangible assets are stated at historic cost or valuation, less accumulated amortisation and any provision for impairment. Amortisation is provided on all intangible assets at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Computer software	5 years
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**Impairment of social housing properties**

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the statement of comprehensive income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

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

**Notes to the financial statements (continued)**  
**31 March 2020**

**2. Accounting policies (continued)**

**Social Housing Grant and other government grants**

Where grants are received from government agencies such as Homes England or local authorities which meet the definition of government grants, they are recognised when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received.

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

Grants received from non-government sources are recognised as revenue using the performance model.

**Provisions**

The group only provides for contractual liabilities and constructive obligations which exist at the balance sheet date.

**Financing costs**

Financing costs payable on debt issues are held against issue proceeds as deferred expenditure and amortised over the term of the loan.

**Agreements to improve existing properties**

Where an agreement has been entered into whereby the group has prepaid a third party to undertake work to existing properties and at the same time, there is an agreement with the same third party to undertake the improvement work on behalf of the third party, the rights to have improvement works carried out to properties by the third party are recognised as prepayments where payment has

**Notes to the financial statements (continued)**  
**31 March 2020**

**2. Accounting policies (continued)**

occurred in advance of the works being carried out and receipts in advance from the same third party are recognised as liabilities.

**Stock transactions**

Where there is a government grant associated with housing properties that are part of a stock transaction, the fair value of the obligation to repay or re-cycle the grant is deemed to be included in the fair value of the housing properties acquired. No additional value is attributed to the government grant transferred.

**Capitalisation of interest**

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

**Leases**

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the group's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the statement of comprehensive income over the period of the lease in proportion to the balance of capital repayments.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight line basis over the life of the lease.

**Taxation**

The association has charitable status and benefits from various exemptions from taxation afforded by the tax legislation and is not therefore liable to corporation tax on income or gains falling within these exemptions. The association is registered for Value Added Tax. The association operates a VAT shelter arrangement in relation to qualifying works in the development agreement regarding improvements to transfer properties whereby 100% of the VAT can be reclaimed from HMRC. A large proportion of the other VAT incurred by the group cannot be recovered as the bulk of its turnover arises from exempt activities.

**Notes to the financial statements (continued)**  
**31 March 2020**

**2. Accounting policies (continued)**

**Retirement benefits**

**Defined benefit scheme**

The group participates in the local government pension scheme (LGPS), operated by the Royal County of Berkshire, which is a multi-employer scheme providing defined benefits where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme. For this scheme the amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. The total charge is included as part of employee costs. The net interest cost on the net defined benefit liability is included within finance costs. Actuarial gains and losses are included in other comprehensive income.

The LGPS is a funded scheme, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. Full actuarial valuations are conducted at least triennially and are updated at each statement of financial position date.

**Defined contribution scheme**

The group participates in a defined contribution scheme where the amount charged to surplus or deficit in the statement of comprehensive income in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

**Revaluation reserve**

At the point of transition to FRS 102 on 1 April 2014, the association revalued its housing properties using EUV-SH and used that as its deemed cost at that date.

The difference on transition between the fair value of social housing properties and the historic cost carrying value is credited to the revaluation reserve. The difference between historic cost depreciation and depreciation charged on the deemed cost balance is transferred from the revaluation reserve to the revenue reserve annually. On disposal, the difference between the fair value of housing properties and the historic cost is debited to the revaluation reserve.

**Notes to the financial statements (continued)**  
**31 March 2020**

**2. Accounting policies (continued)**

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

**Financial instruments**

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument.

**Financial assets carried at amortised cost**

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

**Notes to the financial statements (continued)**  
**31 March 2020**

**2. Accounting policies (continued)**

**Financial liabilities carried at amortised cost**

These financial liabilities include trade and other payables and interest bearing loans and borrowings.

Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the statement of comprehensive income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

**Significant management judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

**Significant management judgements**

The following management judgements in applying the accounting policies of the group have the most significant effect on the amounts recognised in the financial statements.

**Estimation uncertainty**

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material

**Notes to the financial statements (continued)**  
**31 March 2020**

**2. Accounting policies (continued)**

adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**Defined benefit pension scheme**

The group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management uses estimates of these factors provided by independent actuaries in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

**Carrying value of housing properties**

Judgement is exercised in determining the carrying value of housing properties.

The group has conducted a review of the financial performance and future prospects of its existing rented housing properties to assess whether there has been a trigger event for an impairment review. An impairment review may be triggered where there are demand issues in terms of letting performance, lower than expected rental levels or where there are higher than anticipated operating costs.

An impairment review has been carried out at 31 March 2020 to determine whether any assets required impairment and this concluded that no impairment charge was required for the year (2019: £0.3m).

Notes to the financial statements (continued)  
31 March 20203a. Particulars of turnover, operating costs and operating surplus  
Group

	Year ended 31 March 2020				Year ended 31 March 2019			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus/ (deficit) £'000	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus/ (deficit) £'000
Social housing lettings (note 3c)	39,128	-	(30,754)	8,374	38,008	-	(27,257)	10,751
Property sales	10,002	(6,706)	-	3,296	6,283	(4,374)	-	1,909
Other social housing activities								
Charges for support services	19	-	(22)	(3)	169	-	(420)	(251)
Community investment	-	-	(96)	(96)	-	-	(245)	(245)
Other activities *	893	-	(622)	271	814	-	(434)	380
Other pension charges **	-	-	(165)	(165)	-	-	(75)	(75)
<b>Total for year to 31 March</b>	<b>50,042</b>	<b>(6,706)</b>	<b>(31,659)</b>	<b>11,677</b>	<b>45,274</b>	<b>(4,374)</b>	<b>(28,431)</b>	<b>12,469</b>

\* Other activities include an element of non-social housing activities, which total less than 5% of turnover. These comprise mainly garages available to let on a commercial basis and leasehold service charges.

\*\* Other pension charges relate to the difference between the current and past service actuarial costs and contributions payable for the defined benefit scheme.

Notes to the financial statements (continued)  
31 March 20203b. Particulars of turnover, operating costs and operating surplus  
Association

	Year ended 31 March 2020				Year ended 31 March 2019			
	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
Social housing lettings (note 3c)	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	39,128	-	(30,754)	8,374	38,008	-	(27,257)	10,751
Property sales	10,002	(6,706)	-	3,296	6,283	(4,491)	-	1,792
Other social housing activities								
Charges for support services	19	-	(22)	(3)	169	-	(420)	(251)
Community investment	-	-	(96)	(96)	-	-	(245)	(245)
Other activities *	893	-	(459)	434	814	-	(410)	404
Other pension charges **	-	-	(165)	(165)	-	-	(75)	(75)
<b>Total for year to 31 March</b>	<b>50,042</b>	<b>(6,706)</b>	<b>(31,496)</b>	<b>11,840</b>	<b>45,274</b>	<b>(4,491)</b>	<b>(28,407)</b>	<b>12,376</b>

\* Other activities include an element of non-social housing activities, which total less than 5% of turnover. These comprise mainly garages available to let on a commercial basis and leasehold service charges.

\*\* Other pension charges relate to the difference between the current and past service actuarial costs and contributions payable for the defined benefit scheme.

Notes to the financial statements (continued)  
31 March 2020

3c. Particulars of turnover, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings

Group and Association

	Year ended 31 March 2020		Year ended 31 March 2019	
	General needs £'000	Supported housing £'000	Shared ownership £'000	Total £'000
Rent receivable	34,455	2,091	1,138	36,687
Service charges receivable	400	892	77	1,248
Net rents receivable	34,855	2,983	1,215	37,935
Amortised government grants	30	45	-	73
<b>Turnover from social housing lettings</b>	<b>34,885</b>	<b>3,028</b>	<b>1,215</b>	<b>38,008</b>
Management	8,637	967	295	8,178
Services	1,644	1,440	89	2,999
Routine maintenance	4,088	192	6	3,488
Planned maintenance	608	5	-	1,351
Major repairs expenditure	5,911	9	-	4,630
Bad debts	114	4	-	91
Depreciation of housing properties	5,916	829	-	6,227
Impairment of housing properties	-	-	-	293
<b>Operating costs on social housing lettings</b>	<b>26,918</b>	<b>3,446</b>	<b>390</b>	<b>27,257</b>
<b>Operating surplus/(loss) on social housing lettings</b>	<b>7,967</b>	<b>(418)</b>	<b>825</b>	<b>10,751</b>
Void losses	609	54	-	410

Services include items which are included within the service charge and also the cost of the landscaping and estate caretaking teams which are not recoverable through service charges.

Notes to the financial statements (continued)  
31 March 2020

4. Remuneration of executive directors and board members  
Group and Association

The remuneration paid to the executive directors of the group and association was:

	2020 £'000	2019 £'000
Emoluments (excluding pension contributions and benefits in kind)	651	589
Contributions to pension schemes	63	74
Benefits in kind	-	-
	<u>714</u>	<u>663</u>
Amounts paid to third parties for executive director services	72	62
	<u>786</u>	<u>725</u>
Remuneration (or amount payable to third party in respect) of the highest paid executive director, excluding pension contributions (see further details below):	<u>194</u>	<u>191</u>

The remuneration of the highest paid executive director for the year ended 31 March 2020 related to the chief executive.

Under his contract of employment the group pays contributions at a rate of 12% of his salary to the chief executive's private pension scheme rather than into the group's Scottish Widows work place pension scheme. This is in line with the maximum rate which the group pays into the Scottish Widows scheme for other executive directors and employees. The total contribution paid by the group to the scheme in the year was £20,246.

In the year ended 31 March 2020 amounts payable (excluding VAT) to third parties for making available the services of persons to perform the roles of executive directors totalled £72,000 (2019: £62,000).

No contributions were paid by the group and association to pension schemes in 2020 in respect of any persons provided by third parties to perform in the roles of executive directors.

Notes to the financial statements (continued)  
31 March 2020

4. Remuneration of executive directors and board members (continued)  
Group and Association

The non-executive board members received payment for their services of £70k (2019: £63k) during the year. Payments totalling £1k (2019: £2k) were made to board members in reimbursement of expenses incurred during the period. These expenses were paid in accordance with agreed policies and related primarily to travel costs, attending sector conferences and training courses for individual members.

5. Employees

Group and Association

The average weekly number of persons (including the executive directors but excluding the non-executive board members) employed during the period, expressed in full time equivalents, was as follows:

	2020 Number	2019 Number
Customer services - housing management	85	83
Customer services - maintenance	65	63
Property investment & development	13	14
Central support	33	32
	<u>196</u>	<u>192</u>

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
The aggregate payroll costs of these persons were as follows:				
Wages and salaries	7,449	6,707	7,288	6,683
Social security costs	712	674	712	674
Pension contributions - defined benefit	1,007	697	1,007	697
Other pension costs - defined benefit	165	75	165	75
Pension contributions - defined contribution	408	298	408	298
	<u>9,741</u>	<u>8,451</u>	<u>9,580</u>	<u>8,427</u>

Included within the group and association aggregate payroll costs for the year are payments for compensation for loss of office and associated pension costs related to the organisational redesign of £837k (2019: £25k) and additional defined benefit pension scheme deficit contributions of £541k (2019: £264k).

Notes to the financial statements (continued)  
31 March 2020

5. Employees (continued)

Group and Association

The full time equivalent number of staff (including executive directors) whose remuneration, including pension contributions, payable exceeded £60,000 fell within the following bands:

	2020	2019
£60,000 - £69,999	4	-
£70,000 - £79,999	2	5
£80,000 - £89,999	1	4
£90,000 - £99,999	1	-
£100,000 - £109,999	-	1
£110,000 - £119,999	1	-
£120,000 - £129,999	-	1
£140,000 - £149,999	3	1
£210,000 - £219,999	1	1
	<u>13</u>	<u>13</u>

**Notes to the financial statements (continued)**  
**31 March 2020**

**5. Employees (continued)**

**Pension**

**Local Government Pension Scheme**

Silva Homes participates in the Local Government Pension Scheme, managed by the Royal County of Berkshire. The scheme is a defined benefit scheme operated in the UK. The most recent formal valuation of the scheme was completed as at 31 March 2019 and set contributions for the period from 1 April 2020 to 31 March 2023. The valuation has been rolled forward to 31 March 2020 by a qualified independent actuary.

The employer contributions to the scheme made by the group in the period ended 31 March 2020 were £1,007k (2019: £697k). The regular employer contribution rate of for the year was 22.0% (2019: 22.0%) of pensionable salaries. Additional lump sum deficit reduction contributions amounting to £541k were paid in the year (2019: £264k) and a further £154k of additional contributions relating to the organisational redesign were also paid in the year in the year (2018/19: £nil).

Other pension charges relate to the difference between the current and past service actuarial costs and contributions payable for the defined benefit scheme.

**Financial assumptions**

The financial assumptions used by the actuary are as follows:

	2020	2019
Rates of increase in salaries (per annum)*	2.9%	3.9%
Rates of increase in pensions payment (per annum)	1.9%	2.4%
Discount rate	2.4%	2.4%
Inflation assumption - RPI	2.7%	3.4%
Inflation assumption - CPI	1.9%	2.4%

Notes to the financial statements (continued)  
31 March 2020

## 5. Employees (continued)

## Pensions (continued)

## Mortality assumptions

The assumed life expectations on retirement at age 65 are:

		31 March 2020	31 March 2019
Retiring today	Males	21.5	22.0
	Females	24.1	24.0
Retiring in 20 years	Males	22.9	23.7
	Females	25.5	25.8

The actuary has also made the following assumptions:

- members will exchange half of their commutable pension for cash at retirement
- members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age
- the proportion of the membership that had taken up the 50/50 option at the previous valuation date will remain the same.

## Assets and liabilities

The expected return and interest cost has been replaced with a single net interest cost, which effectively sets the expected return to be equal to the discount rate.

The assets in the scheme were:

	Value at 31 March 2020 £'000	Value at 31 March 2019 £'000
Equities	11,918	11,351
Other bonds	1,965	3,357
Property	2,900	3,106
Cash	2,493	1,776
Target return portfolio	889	1,164
Commodities	124	171
Infrastructure	1,730	2,107
Cost of longevity insurance	(912)	(664)
Total market value of assets	<u>21,107</u>	<u>22,368</u>

Notes to the financial statements (continued)  
31 March 2020

## 5. Employees (continued)

## Pensions (continued)

## Assets and liabilities (continued)

Reconciliation of the opening and closing balances of the present value of the defined benefit obligation:

	31 March 2020 £'000	31 March 2019 £'000
Opening defined benefit obligation	34,098	33,299
Service cost	574	748
Interest cost	753	842
Actuarial (gains)/losses	(3,084)	1,633
Change in demographic assumptions	(403)	(1,892)
Experience losses on defined benefit obligation	116	-
Estimated benefits paid (net of transfers in)	(1,270)	(685)
Past service costs, including curtailments	534	11
Contributions by scheme participants	103	142
Closing defined benefit obligation	<u>31,421</u>	<u>34,098</u>

Reconciliation of opening and closing balances of the fair value of scheme assets:

	31 March 2020 £'000	31 March 2019 £'000
Opening fair value of scheme assets	22,368	20,398
Interest on assets	484	522
Return on assets less interest	(811)	1,307
Other actuarial losses	(710)	-
Administrative expenses	(13)	(13)
Contributions by employer including unfunded	956	697
Additional contributions related to prior year	-	-
Contributions by scheme participants	103	142
Estimated benefits paid (net of assets transferred in)	(1,270)	(685)
Fair value of scheme assets at end of period	<u>21,107</u>	<u>22,368</u>

**Notes to the financial statements (continued)**  
**31 March 2020**

**5. Employees (continued)**

**Pensions (continued)**

The amounts recognised in the statement of financial position:

	31 March 2020 £'000	31 March 2019 £'000
Present value of funded obligations	(31,421)	(34,098)
Fair value of scheme assets	21,107	22,368
Net liability	<u>(10,314)</u>	<u>(11,730)</u>

Analysis of the amount charged to the statement of comprehensive income in respect of the defined benefit scheme:

	31 March 2020 £'000	31 March 2019 £'000
Current service cost	1,108	759
Net Interest on obligation	269	320
Administration expenses	13	13
Total	<u>1,390</u>	<u>1,092</u>

The net impact of pensions costs and credits on the statement of comprehensive income was a charge of £1,390k (2019: £1,092k) in the year. £1,121k was charged to the operating surplus (2019: £772k) and £269k (2019: £320k) was charged to other finance charges.

**Sensitivity analysis**

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2019	Approximate % increase to employer liability	Approximate monetary amount £'000
0.1% decrease in real discount rate	2.0%	682
0.1% increase in the salary increase rate	0.2%	66
0.1% increase in the pension increase rate	1.8%	616

Notes to the financial statements (continued)  
31 March 2020

6. Surplus on disposal of property, plant and equipment

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Disposal proceeds	2,243	2,062	2,243	2,062
Disposal costs	<u>(1,765)</u>	<u>(1,188)</u>	<u>(1,765)</u>	<u>(1,188)</u>
Surplus on sale	<u>478</u>	<u>874</u>	<u>478</u>	<u>874</u>

7. Proceeds on disposal of property, plant and equipment - Group and Association

Disposals in the year can be further analysed as:

Disposal type	2020		2019	
	Proceeds Silva Homes* £'000	Proceeds BFC* £'000	Proceeds Silva Homes* £'000	Proceeds BFC* £'000
Right to Buy dwellings	325	1,149	476	1,965
Shared ownership properties	32	97	64	221
Shared ownership properties (non council)	1,039	-	616	-
Outright sales	610	-	560	-
Right to Acquire	162	-	227	-
Other disposals	75	-	119	-
Grand total	<u>2,243</u>	<u>1,246</u>	<u>2,062</u>	<u>2,186</u>

\*Silva Homes shares the proceeds of sales under the Right to Buy scheme and for staircasing sales of shared ownership properties transferred from the council with Bracknell Forest Council (BFC) in line with the terms of the stock transfer agreement.

8. Interest receivable and similar income - Group and Association

	2020 £'000	2019 £'000
Interest receivable	<u>134</u>	<u>249</u>
	<u>134</u>	<u>249</u>

Notes to the financial statements (continued)  
31 March 2020

9. Interest payable and similar charges - Group and Association

	2020 £'000	2019 £'000
On housing loans	6,781	6,475
Less capitalised interest	<u>(991)</u>	<u>(910)</u>
	<u>5,790</u>	<u>5,565</u>

Borrowing costs have been capitalised based on a capitalisation rate of 4.57% (2019: 4.34%) which is the weighted average of rates applicable to the group's general borrowing outstanding during the year.

10. Surplus before taxation

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b><i>This is stated after charging:</i></b>				
Fees payable to the group's auditor				
- for audit services	20	20	20	20
- for non audit services	8	10	8	9
Amortisation of intangible assets	164	164	164	164
Depreciation of housing properties	6,745	6,227	6,745	6,227
Impairment of housing properties	-	293	-	293
Depreciation of other tangible fixed assets	385	330	385	330
Operating lease charges				
- land & buildings	588	517	588	517
- vehicles and plant	<u>251</u>	<u>268</u>	<u>251</u>	<u>268</u>

11. Taxation

Silva Homes Limited, the association, is a charitable organisation within the definition of FA 2010 Schedule 6 and is able to benefit from various exemptions from taxation afforded by the tax legislation and is not therefore liable to corporation tax on income or gains falling within these exemptions. Forest Future Homes Limited is liable to corporation tax but gift aids its profit to Silva Homes Limited, its parent, thereby reducing its taxable profit to nil.

Notes to the financial statements (continued)  
31 March 2020

12. Intangible assets: computer software - Group and Association

	£'000
<b>Cost:</b>	
At 1 April 2019	2,231
Additions	14
Disposals	<u>-</u>
At 31 March 2020	<u>2,245</u>
<b>Amortisation:</b>	
At 1 April 2019	(1,699)
Charge for year	(164)
Disposals	<u>-</u>
At 31 March 2020	<u>(1,863)</u>
<b>Net book value at 31 March 2020</b>	<u><u>382</u></u>
Net book value at 1 April 2019	<u><u>532</u></u>

Notes to the financial statements (continued)  
31 March 2020

## 13. Tangible fixed assets: housing properties

## Group

	Completed housing properties £'000	Housing properties under construction £'000	Completed shared ownership properties £'000	Shared ownership properties under construction £'000	Total £'000
<b>Cost:</b>					
At 1 April 2019	369,068	12,154	26,562	4,797	412,581
Additions	145	18,966	2,548	8,284	29,943
Works to existing properties	9,668	-	-	-	9,668
Schemes completed	23,562	(23,562)	9,299	(9,299)	-
Disposals	(1,877)	-	(832)	-	(2,709)
<b>At 31 March 2020</b>	<b>400,566</b>	<b>7,558</b>	<b>37,577</b>	<b>3,782</b>	<b>449,483</b>
<b>Depreciation:</b>					
At 1 April 2019	(32,174)	-	-	-	(32,174)
Charge for year	(6,745)	-	-	-	(6,745)
Disposals	777	-	-	-	777
Impairment	-	-	-	-	-
<b>At 31 March 2020</b>	<b>(38,142)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(38,142)</b>
<b>Net book value at 31 March 2020</b>	<b>362,424</b>	<b>7,558</b>	<b>37,577</b>	<b>3,782</b>	<b>411,341</b>
Net book value at 1 April 2019	336,894	12,154	26,562	4,797	380,407

## Expenditure on works to existing properties:

	2020 £'000	2019 £'000
Amounts capitalised	9,668	4,654
Amounts charged to the statement of comprehensive income	5,920	4,630
	<b>15,588</b>	<b>9,284</b>

The arrangements under which the group is carrying out refurbishment works to properties acquired at transfer are described in note 24.

Notes to the financial statements (continued)  
31 March 2020

13. Tangible fixed assets: Housing Properties (continued)

Group

Housing properties book value net of depreciation and grants comprises:

	2020 £'000	2019 £'000
Freehold land and buildings	410,333	379,602
Short leasehold land and buildings	785	805
	<u>411,118</u>	<u>380,407</u>

Notes to the financial statements (continued)  
31 March 2020

## 13. Tangible fixed assets: housing properties (continued)

## Association

	Completed housing properties £'000	Housing properties under construction £'000	Completed shared ownership properties £'000	Shared ownership properties under construction £'000	Total £'000
<b>Cost:</b>					
At 1 April 2019	370,423	12,457	26,677	4,853	414,410
Additions	145	20,026	2,548	8,231	30,950
Works to existing properties	9,671	-	-	-	9,671
Schemes completed	23,562	(23,562)	9,299	(9,299)	-
Disposals	(1,877)	-	(832)	-	(2,709)
<b>At 31 March 2020</b>	<b>401,924</b>	<b>8,921</b>	<b>37,692</b>	<b>3,785</b>	<b>452,322</b>
<b>Depreciation:</b>					
At 1 April 2019	(32,174)	-	-	-	(32,174)
Charge for year	(6,745)	-	-	-	(6,745)
Disposals	777	-	-	-	777
Impairment	-	-	-	-	-
<b>At 31 March 2020</b>	<b>(38,142)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(38,142)</b>
<b>Net book value at 31 March 2020</b>	<b>363,782</b>	<b>8,921</b>	<b>37,691</b>	<b>3,786</b>	<b>414,180</b>
Net book value at 1 April 2019	338,249	12,457	26,677	4,853	382,236

## Expenditure on works to existing properties:

	2020 £'000	2019 £'000
Amounts capitalised	9,671	4,654
Amounts charged to the statement of comprehensive income	5,920	4,630
	<b>15,591</b>	<b>9,284</b>

The arrangements under which the association is carrying out refurbishment works to properties acquired at transfer are described in note 24.

Notes to the financial statements (continued)  
31 March 2020

13. Tangible fixed assets: Housing Properties (continued)

Association

Housing properties book value net of depreciation and grants comprises:

	2020 £'000	2019 £'000
Freehold land and buildings	413,395	381,431
Short leasehold land and buildings	785	805
	<u>414,180</u>	<u>382,236</u>

14. Tangible fixed assets: other fixed assets - Group and Association

	Leasehold improvements £'000	Office furniture and equipment £'000	Vehicles and plant £'000	Computer hardware £'000	Total £'000
<b>Cost:</b>					
At 1 April 2019	908	470	51	381	1,810
Additions	11	-	-	30	41
Reclassification	-	-	-	-	-
Disposals	-	-	-	(86)	(86)
At 31 March 2020	<u>919</u>	<u>470</u>	<u>51</u>	<u>325</u>	<u>1,765</u>
<b>Depreciation:</b>					
At 1 April 2019	(237)	(237)	(51)	(159)	(684)
Charge for year	(172)	(122)	-	(91)	(385)
Disposals	-	-	-	-	-
At 31 March 2020	<u>(409)</u>	<u>(359)</u>	<u>(51)</u>	<u>(250)</u>	<u>(1,069)</u>
<b>Net book value at 31 March 2020</b>	<u>510</u>	<u>111</u>	<u>-</u>	<u>75</u>	<u>696</u>
Net book value at 1 April 2019	<u>671</u>	<u>233</u>	<u>-</u>	<u>222</u>	<u>1,126</u>

The leasehold offices are all short leasehold (less than 50 years) properties.

Notes to the financial statements (continued)  
31 March 2020

## 15. Housing stock - Group and Association

Social housing	General needs housing	Independent living schemes	Shared ownership	Total owned
	Units	Units	Units	Units
At 1 April 2019	5,815	397	236	6,448
Additions (newly built)	113	-	75	188
Additions (repurchase)	1	-	-	1
Sales	(11)	-	(6)	(17)
Movement between categories	3	(3)	-	-
*Disposals	-	-	-	-
At 31 March 2020	5,921	394	305	6,620

\*Disposals are properties held vacant where we are no longer receiving rental income and the properties are held pending sale.

Non-social housing	Leasehold housing
	Units
At 1 April 2019	1,085
Additions	4
Sales	(5)
At 31 March 2020	1,084

## 16. Fixed asset investments - Group and Association

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Shares in group undertakings	-	-	1	1
	-	-	1	1

Silva Homes Limited holds the entire share capital of Forest Future Homes Limited comprising 1,000 shares of £1 each.

Notes to the financial statements (continued)  
31 March 2020

17. Properties developed for sale - Group and Association

	Group		Association	
	2020 Shared ownership £'000	2019 Shared ownership £'000	2020 Shared ownership £'000	2019 Shared ownership £'000
Completed properties	2,078	1,640	2,078	1,664
Properties under construction	<u>2,435</u>	<u>3,188</u>	<u>2,524</u>	<u>3,200</u>
	<u>4,513</u>	<u>4,828</u>	<u>4,602</u>	<u>4,864</u>

18. Debtors

Amounts falling due within one year	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Rental and service charge debtors	1,977	1,564	1,977	1,564
Less: provision for bad and doubtful debts	<u>(1,031)</u>	<u>(911)</u>	<u>(1,031)</u>	<u>(911)</u>
	946	653	946	653
Cash in transit	46	296	46	296
Other taxation and social security	183	13	157	-
Homes England grants receivable	-	-	-	-
Other debtors	16	64	16	64
Prepayments and accrued income	<u>1,614</u>	<u>2,463</u>	<u>1,798</u>	<u>2,487</u>
	<u>2,805</u>	<u>3,489</u>	<u>2,963</u>	<u>3,500</u>

The net present value of rental debtors subject to a repayment schedule has not been disclosed as it is considered to be minimal in value.

Amounts falling due in more than one year	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
VAT shelter agreement	35,845	38,883	35,845	38,883
Prepayments and accrued income	<u>379</u>	<u>12</u>	<u>379</u>	<u>12</u>
	<u>36,224</u>	<u>38,895</u>	<u>36,224</u>	<u>38,895</u>
Total debtors	<u>39,029</u>	<u>42,384</u>	<u>39,187</u>	<u>42,395</u>

Notes to the financial statements (continued)  
31 March 2020

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

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade creditors	1,488	710	1,488	710
Local authority creditor for Right to Buy	1,246	2,185	1,246	2,185
Other amounts due to group undertakings	-	-	1,677	3,160
VAT	-	6	-	6
Other creditors	592	337	592	337
Capital works accruals	1,978	4,058	718	1,049
Other accruals and deferred income	4,038	5,373	4,048	5,384
	<u>9,342</u>	<u>12,669</u>	<u>9,769</u>	<u>12,831</u>

## 20. Creditors: amounts falling due after more than one year - Group and Association

	2020 £'000	2019 £'000
Loans due after more than one year (note 21)	182,000	149,000
Adjustment to reflect effective interest rate under FRS 102	2,762	3,083
Premium on loan issue	<u>7,862</u>	<u>1,819</u>
	192,624	153,902
Government grants (note 22)	7,453	7,195
VAT shelter agreement	<u>35,845</u>	<u>38,883</u>
	<u>235,922</u>	<u>199,980</u>

Notes to the financial statements (continued)  
31 March 2020

## 21. Debt analysis - Group and Association

	2020 £'000	2019 £'000
<b>Due within one year:</b>		
Bank loans	-	-
Other loans	-	-
	<u>-</u>	<u>-</u>
<b>Due after more than one year:</b>		
Bank loans	82,000	74,000
Other loans	100,000	75,000
	<u>182,000</u>	<u>149,000</u>

The loans are repayable in instalments due as follows:

Within one year	-	-
Between two and five years	23,000	11,000
After five years	159,000	138,000
	<u>182,000</u>	<u>149,000</u>

All loans are secured by a fixed and floating charge on the group's assets. The average rate of interest applying during the year was 4.57% (2019: 4.34%).

At 31 March 2020, the group had undrawn loan facilities of £45.5 million (2019: £53 million).

Notes to the financial statements (continued)  
31 March 2020

## 22. Financial assistance and other government grant receivable

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Original capital grant value	<u>7,310</u>	<u>7,310</u>	<u>7,310</u>	<u>7,310</u>
At 1 April	7,195	7,068	7,195	7,068
Grant receivable	333	200	333	200
Eliminated on disposal	-	-	-	-
Amortisation to statement of comprehensive income	<u>(75)</u>	<u>(73)</u>	<u>(75)</u>	<u>(73)</u>
As 31 March	<u>7,453</u>	<u>7,195</u>	<u>7,453</u>	<u>7,195</u>
Due after 1 year (note 20 - other long term creditors)	<u>7,453</u>	<u>7,195</u>	<u>7,453</u>	<u>7,195</u>
	<u>7,453</u>	<u>7,195</u>	<u>7,453</u>	<u>7,195</u>

## 23. Share capital

	2020 £	2019 £
<b>Ordinary shares of £1 each, issued and fully paid:</b>		
At 1 April	7	43
Shares allocated	1	-
Shares cancelled	-	(36)
At 31 March	<u>8</u>	<u>7</u>

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

**Notes to the financial statements (continued)**  
**31 March 2020**

**24. Stock transfer arrangements**

Immediately prior to entering into the Stock Transfer Agreement between the association and Bracknell Forest Council (the council), the council and the association entered into a Development Agreement under which the association agreed to perform the works required to bring the properties up to an agreed condition. The contract was for a fixed sum equivalent to the expected cost of the works, fees and related costs being £129m. At transfer, the association contracted with the council to receive the benefit of the agreed improvement works (£129m) plus the housing properties at a price equal to the agreed value of the unimproved property (£34m). These contracts have enabled the association to recover the VAT on the improvement costs which would otherwise have been expensed. Half of the VAT recovered under this arrangement is paid to the council.

At the time of the transfer the association paid over to the council a net cash amount of £34m representing the acquisition of the properties in their unimproved condition (£34m) and the value of the council's obligation to carry out the refurbishment works (£129m), less the amount due to be incurred by the association under the development agreement in relation to the anticipated costs of the improvements (£129m).

The impact of these two transactions is that whilst the council has a legal obligation to the association to complete the refurbishment works, this work has been contracted back to the association which is also legally obligated. The underlying substance of the transaction is therefore that the association has acquired the properties in their existing condition at their agreed value and will complete certain repairs and improvements of not less than £129m. In accordance with FRS 102 the resultant debtor and creditor are disclosed separately within the financial statements. Should the value of the work completed vary from that originally envisaged, the contract may be terminated with no financial loss to Silva Homes.

Notes to the financial statements (continued)  
31 March 2020

## 25. Capital commitments

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
<b>Capital expenditure</b>				
Expenditure contracted for but not provided in the accounts	56,140	53,504	58,652	55,898
Expenditure authorised by the board but not contracted	<u>4,232</u>	<u>10,302</u>	<u>4,232</u>	<u>10,302</u>
	<u>60,372</u>	<u>63,806</u>	<u>62,884</u>	<u>66,200</u>

The capital commitments will be funded from a combination of operational cashflows and additional loan finance.

## 26. Other financial commitments - Group and Association

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2020	2019
	£'000	£'000
Payments due:		
within one year	822	797
between two to five years	2,790	1,682
after five years	<u>2,342</u>	<u>1,626</u>
	<u>5,954</u>	<u>4,105</u>

Notes to the financial statements (continued)  
31 March 2020

27. Financial instruments

The carrying values of the group and association's financial assets and liabilities are summarised by category below:

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
<i>Measured at undiscounted amounts receivable</i>				
Rent arrears and other debtors (see note 18)	1,009	1,018	1,009	1,018
	<u>1,009</u>	<u>1,018</u>	<u>1,009</u>	<u>1,018</u>
<b>Financial liabilities</b>				
<i>Measured at amortised cost</i>				
Loans payable (see note 20)	192,624	153,902	192,624	153,902
<i>Measured at undiscounted amounts payable</i>				
Trade and other creditors, and accruals (see note 19)	6,751	10,642	7,167	6,331
Amounts due to group undertakings (see note 19)	-	-	1,677	3,160
	<u>199,375</u>	<u>164,544</u>	<u>201,468</u>	<u>163,393</u>

**Notes to the financial statements (continued)**  
**31 March 2020**

**28. Subsidiary undertakings**

As at 31 March 2020, Silva Homes Limited owned 100% of the share capital of Forest Future Homes Limited comprising 1000 shares of £1 each. The company is registered under the Companies Act 2006 and was incorporated on 13 December 2013. The company is included within the consolidated accounts for the year ended 31 March 2020. Forest Future Homes Limited acts as the design and build contractor for Silva Homes Limited.

Transactions and balances with Forest Future Homes (FFH)

	2020 £'000	2019 £'000
Included within the statements of Silva Homes		
Statement of comprehensive income		
Recharge of operating costs	160	24
Gift aid received	813	350
	<u>          </u>	<u>          </u>
Balances at 31 March		
Fixed assets, additions to housing properties - design and build contracts payable to FFH in the year	24,440	15,794
Creditors, less than 1 year - capital accruals due to FFH	1,677	3,160
	<u>          </u>	<u>          </u>

**29. Group members**

Silva Homes Limited is the parent of the Group and exerts dominant influence over its subsidiary, Forest Future Homes Limited, by controlling the composition of its board. All the group bodies are incorporated in England and Wales. Silva Homes Limited is a registered provider and a registered society under the Co-operative and Community Benefit Societies Act 2014 (number 30230R).