ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS
For the year ended

31 March 2021

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

Co-operative and Community Benefit Societies Act 2014 Number	11614R
Homes and Communities Agency registration number	LO457
Registered Office	102 Blackstock Road LONDON N4 2DR
Board	Mervyn Jones (Chair) Yasmin Khan Philip Newby Alice Powell Roz Spencer Justin Fisher June Riley Heather Topel Daven Masri (Appointed 28 July 2020) Mohammed Baporia (Appointed 28 July 2020) Mathilde Suberbere (Appointed 28 July 2020) Ruth Davison (appointed at Board 17 March 2021)
Chief Executive	Ruth Davison
Secretary	Laura Hopper

Executive Directors
Olukunle Olujide, Director of Development
Dawn Harrisson, Director of Housing & Neighbourhoods
Judith Leigh, Head of People and Organisational Development
Gary Pliskin, Finance Director

Bankers	Barclays Bank Plc Islington and Camden Group PO Box 3474 London NW1 7NQ
Statutory Auditor	Beever and Struthers 15 Bunhill Row London EC1Y 8LP

Index to financial statements	**Page**

Statement from the Chair

As I present this set of accounts to you, I read back my introduction to the previous year's accounts. I talked about the importance of ISHA's new vision, mission and strategic plan; the past year has proved how important it has been in targeting and delivering improvements across ISHA. I also talked – rather prematurely – about the difficulties of coming out of Covid; with many of our staff and residents still working from home a year later, coming out of Covid is a longer-term prospect, with many issues still to face and the future looking more like one where we manage and live with Covid rather than leave it behind.

This year has been one of great change and progress for ISHA. I remain extremely proud of the way we have been able to drive forward improvements, all of them underpinned by our vision and plan, despite external challenges.

Our values have led the way in what we have chosen to prioritise in the past year. Anchoring ourselves in North London, and setting residents off on a secure footing, led us to make the choice to continue to offer housing throughout Covid lockdowns where other organisations stopped taking on new residents. It was right that we remained open to those most in need during such a difficult period. We also made the decision to offer every new home with floor and window coverings – carpets and curtains – so that those who may arrive with very few possessions can start their new lives in a home that is ready for them to really live in.

I highlighted last year the many risks posed to ISHA and its residents by historic building safety issues. Our building safety team has worked tirelessly to address these issues and engage with residents. All our tall buildings have been intrusively surveyed by fire engineers and we have taken action to make those buildings safe whilst we repair them. We have also opened up seven of our smaller buildings with cladding or render. I am sorry to say that a year on there is still no strategy from Government, and I know this is causing real anguish for leaseholders especially. It was also deeply disappointing that the Government stepped back from its support to the social housing sector during the year, making funds available to private landlords irrespective of the tenancy status of residents, but not to social housing landlords. We desperately need the Government to take a strategic, sector-wide approach and I hope that happens in the year ahead. I do however want to thank the majority of ISHA's lenders for their support and for taking a pragmatic approach particularly in relation to granting covenant carve outs for these vital building safety works and waking watch costs.

Repairs generally, of course, remain the key driver of satisfaction for our residents. We are engaging with new smaller contractors who align with our values, deliver a brilliant service, and who are assessed by our dedicated resident repairs panel before we make the decision to work with them and throughout their contracts – making sure co-creation of services is embedded in the services we provide to residents.

We have also taken action where things go wrong. Our complaints and resolution team has been expanded, and we have introduced a new complaints procedure and assessed ourselves against the Housing Ombudsman's Code of Conduct, making sure the learning from our complaints truly makes a difference to what we do as a business. This is also reported regularly to me and the Board, so we have an insight into where residents feel we need to improve.

One of the key issues complained about remains poor communication. To deliver a better service – and crucially, to communicate better with residents – this year we restructured some of our teams and invested in training. Leaseholders and tenants now have their own dedicated teams, and we will continue to assess how this new structure is working.

Building safety costs and the uncertainty posed by yet-to-be inspected buildings prompted the difficult decision to pause future development. We are still building some new homes, and we have some grant still to spend in some areas, but we will not be proactively seeking new opportunities for the moment. We must concentrate on our core business of providing a consistent and quality landlord service for our existing tenants and residents.

Despite Covid, resident engagement has developed during the year. Our Scrutiny Panel has successfully moved to remote meetings, and we have held resident action days and focus groups remotely. The Board and I have appreciated the opportunity to meet with residents from the Scrutiny Panel and hear directly from them about ISHA's performance and was extremely pleased they can see our appetite to effect change. We have also launched a pilot community development programme, working with contractors to help residents get into employment and holding resident evenings at four blocks. ISHA's resident newsletter this year moved from being a paper document delivered to all residents to a regular monthly email and text. The advantage of this is we can see that residents are reading it, we can keep them more regularly updated with changes we are making, and it is much easier for them to feed back to us.

ISHA needs the right staff team to deliver on the promises set out in the strategic plan. Ensuring these staff, once we have recruited people who share our vision and values, are well-supported to do their job has been another major focus this year. Recruitment is now stabilising following the restructure and, once in post, staff are better supported than at the start of the lockdown to work remotely with the introduction of a staff intranet and better engagement. Staff have had the opportunity to co-create the work environment as well as the work ISHA does; the Leadership Team is working with experts to ensure all staff are supported and ISHA is anti-racist; their original restructure proposal was substantially changed after staff input; and surveys show that staff think the Leadership Team truly believes in ISHA's vision and values.

There are many other areas to be proud of – there are regular compliments from residents for the Customer Service Team's work after a difficult period at the start of lockdown when the inbound call system didn't work; the income and tenancy sustainment team have been able to support residents whose incomes have been affected by Covid so they do not lose their homes; and, vitally, despite the extra pressure on finances ISHA remains financially viable and will continue to be so, proven by extensive stress testing.

The Board itself has done much to strengthen and improve our own performance and oversight of the business. As well as our skills and effectiveness, we've ensured we have a new asset management strategy, assurance on the rent and service charge regimes, and a new framework for managing risk. We have also re-financed with the support of our new treasury advisors, Savills.

I would like to thank the Board, Leadership Team and staff at ISHA for remaining committed to seeing through change and delivering improving services during this strange and difficult year.

The strategic plan has proved its worth and we have delivered much of what we set out to do. Whatever the next year holds, ISHA is in a strong position to face the challenges ahead.

Mervyn Jones
Chair of the Board

Operating and financial review

Principal activities

To provide a community-based service that manages, maintains and develops quality affordable housing for people in North London, primarily in Islington, Hackney, and Waltham Forest.

Islington & Shoreditch Housing Association Limited (ISHA) is a charitable housing association incorporated as a Co-operative and Community Benefit Society and registered with the Regulator of Social Housing (RSH). The association operates in the London Boroughs of Camden, Hackney, Haringey, Islington and Waltham Forest and at 31 March 2021 had 2,350 (2020: 2,332) homes. The association also manages 19 homes (2020: 19) on behalf of London and Quadrant.

ISHA's current governance grading by the Regulator is G1 and the financial viability grading is V2.

The association's development programme is designed to address housing needs in our area of operation. To achieve this, we work in partnership with our local authorities, Homes England and the Greater London Authority (GLA). As well as a programme of rented accommodation, we develop shared ownership housing for people who cannot afford to purchase on the open market outright.

North River Alliance (NRA)

The North River Alliance (NRA) is a development consortium of housing associations operating in North and East London led by ISHA. The NRA is a development partner of the GLA. There are currently eleven members of the NRA including ISHA, the member associations are:

- Bangla Housing Association Limited
- Christian Action (Enfield) Housing Association Limited
- Barnsbury Housing Association Limited
- Gateway Housing Association Limited
- North London Muslim Housing Association Limited
- Providence Row Housing Association Limited
- The Industrial Dwellings Society (1985) Ltd
- Tower Hamlets Community Housing Limited
- Innisfree Housing Association Limited
- Shian Housing Association Limited

In addition, we are currently finalising membership with another housing association.

Business and financial review

For the year ended 31 March 2021 the Board reports a deficit of £0.9m (2020: £2.9m surplus). The 2021 result is mainly due to the following exceptional costs:

- £1.5m of health and safety costs. This includes £0.8m of waking watch costs to keep our residents safe while building remediation is ongoing.
- The external wall systems of Belvedere Court and Alexandra Court will need to be removed for building safety reasons. The recoverable value of the partial structure being replaced is nil. We have therefore charged £1.2m of additional accelerated depreciation for the full year as a result.
- £1.5m costs relating to the end of the long-term contract with our former main contractor, MPS Housing Limited (MPS), including legal costs of £0.44m.

The actuarial loss in respect of the pension scheme is £1.6m.

Building safety and service excellence have remained the top priorities for ISHA this year. The Board's ambition to transform ISHA from a well-respected local housing association to a top performing landlord remains the driver of our strategic plan.

ISHA has sufficient funds to generate the necessary income to maintain and improve services to our residents and meet loan repayments.

Value for Money

ISHA's Board remains committed to delivering and demonstrating value for money for both its current and future residents. Our Board has evaluated the association's results and has set targets for where ISHA should position itself.

We have completed the first year of our 5-year 2020-25 strategic plan. In ISHA's 2020-2025 strategic plan the Board has targeted improved performance (inputs) and satisfaction (outputs) across the business. It has also clearly articulated the contribution it wants the organisation to make to its residents and wider community in being a community anchor. The Board is aiming to deliver as much social value as possible through the operation of the business, rather than maximising profit and delivering social value as a separate business activity. This applies both to development, and housing and neighbourhoods activity.

Given the very high housing costs in North London the Board has had a long-term strategic intent to keep rents as low as possible. This, it believes, delivers real value both to individuals and the public purse, thus housing benefit or universal credit contributions are kept to a minimum and for self-payers (full or part) there is greater disposable income after housing costs and therefore greater autonomy. It believes this is preferable to charging higher rents and seeking to alleviate poverty through a charitable arm or foundation. ISHA's historically large development programme has therefore been 100 per cent affordable – this was less to do with risk appetite and more its strategic intent around low rents. This has necessitated large cash subsidies to development, which it believed to be money well spent.

The association has compared its performance with other housing associations using the Regulator of Social Housing (RSH) Global Accounts 2020 report. ISHA was an outlier on costs when benchmarked against housing associations in England, however, this was mainly due to the exceptional costs incurred during the year (more details in other sections below). ISHA's costs are also impacted by increased costs associated with operating within central London. The association's costs are in line with its London peer group.

As a result of the expected spend on fire safety works and mitigations, the costs are expected to impact our income and expenditure over the next couple of years until remediation work is completed. Our development program is also being impacted.

Safety is the number one priority of the strategic plan. Cost plays no part in decision making when we discover a building has defects and need to mitigate the risk it presents to life and limb. However, when looking to remediate the buildings, given that the organisation has already paid once for these assets, we seek recourse to developers where that is possible, rather than to the public purse or leaseholders. This ensures value for money for the organisation, taxpayer, and individual homeowner. We are also lobbying for an industry-wide strategic approach to the issue of remediation.

The 2020-2025 strategic plan has eight pillars:

- **Safety first** – ensuring our homes are safe
- **Service and satisfaction** – being a consistent & quality landlord, building service delivery that drives satisfaction in partnership with residents
- **Security and growth** – setting residents off on a secure footing & helping create the conditions for people to flourish in their homes
- **Somewhere** – anchoring ourselves in North London, especially Islington, Hackney and Waltham Forest
- **Supply** – building quality homes for social rent, London Affordable Rent and Shared Ownership
- **Sustainability**
  - building green and actively seeking to reduce the environmental harm caused by our stock, and our building and business practices
  - stewarding ISHA's assets and finances and taking the long view
- **Staff** – engaging with inspired, high performing staff
- **Systems** – maintaining robust IT and business systems that support the business and its ambitions

The first six pillars are the "what" of our plan and the last two are "how".

ISHA's Value for Money strategy statement sets out ISHA's track record on value for money to date against each of the strategic pillars of the plan. It also highlights the plans and targets we have put in place to continue to improve value for money in the future.

Overall, we are aiming to:

- Ensure that the organisation operates as efficiently, effectively, economically and equitably as possible in order to deliver the best outcomes for residents and our community.
- Understand the return generated by the assets that we own, ensuring we make the right decisions on where to invest our resources and most importantly maintain and improve the quality of our homes.
- Ensure that any investment in non-social housing activity generates a level of return appropriate to the scale of the risk involved.
- Show how our business value is being used for social purpose by reinvesting our returns from commercial activity back into creating more affordable homes and improvements to services, existing homes and places.
- Maximise the number of new homes we deliver to help tackle the country's housing crisis.

- Meet a wide range of housing needs, though the delivery of new homes as well as making the best use of our existing homes

The peer group selected by ISHA is London-based associations with stock size from 500 to 10,000 homes. As the peer group data for 2020/21 is not available until the Autumn of 2021, we have used the 2019/20 metrics for benchmarking.

The table below shows the nine metrics, how we have performed from 2018 to 2020, how we compare to our peer group average, and our actual performance in 2021.

Metric	ISHA 2021	ISHA 2020	Peer group average 2020	ISHA 2019	Peer group average 2019	ISHA 2018	Peer group average 2018
Total social housing units owned & managed	**2351**	**2349**		**2295**		**2109**	
1 Reinvestment	7.9%	6.0%	6.2%	4.9%	6.8%	5.8%	8.7%
2 New Supply Delivered							
A – Social Housing	0.8%	3.2%	2.6%	1.5%	1.7%	0.1%	1.5%
B – Non-social housing	0.00%	0.00%	0.73%	0.00%	0.17%	0.00%	0.12%
3 Gearing	32.9%	29.1%	43.0%	29.1%	42.2%	30.3%	41.4%
4 EBITDA-MRI	106.2%	117.2%	137.3%	268.8%	160.5%	195.5%	178.2%
5 Headline Social Housing Cost per unit**	£6,984	£6,357	£6,892	£4,675	£6,781	£4,870	£6,542
6 Operating margin**							
A - Social housing lettings	-2.2%	8.1%	26.1%	23.5%	26.0%	24.0%	29.4%
B - Overall	5.3%	14.8%	17.6%	37.1%	19.5%	31.1%	22.4%
7 Return on capital employed*	0.8%	2.3%	3.5%	3.7%	3.6%	3.3%	4.2%
<u>Other</u>							
Management costs per unit	£1,405	£1,204	£1,546	£826	£1,514	£789	£1,609
Service charge costs per unit	£1,510	£1,779	£1,375	£1,286	£1,268	£1,216	£1,179
Maintenance costs per unit	£3,212	£2,387	£1,500	£1,222	£1,367	£1,647	£1,267
Major repairs costs per unit	£364	£527	£1,065	£800	£1,089	£868	£970
Other social housing costs per unit	£494	£459	£1,405	£541	£1,544	£349	£1,518

Reinvestment – Growth

This metric measures the investment in new development and capitalised major repairs as a percentage of total costs of housing properties. The association's performance was 7.9%, a

1.9 percentage point increase above its 2020 outturn and higher than its 5% growth plan. This result also surpasses the sector 2020 average of 7.2%.

£23m was invested during the year, 20 new homes were handed over, while 151 units are in various stages of development. The 151 units are three live projects which are currently on site to deliver 92 units before 2022 and 59 additional units by June 2023. The reinvestment target for 2021/22 is 3.6%

New supply delivered - Social Housing

This metric measures the percentage of new social units developed or acquired in the year to the stock owned at year end. The 2021 result is 0.8%, down from the 3.2% achieved in 2020 and lower than our peers' 2.6% average.

ISHA's strategic plan has a clear goal. The association hopes to continue to implement its development plan of building low cost homes in our areas of operation. However, in 2020/21 the association was only able to deliver 20 units (2020: 80 units) while other development projects are at varying stages.

In line with our 2020/21 strategic objective, we have secured a site, Barratt's Grove in Hackney, to enable us to utilise the developer contributions paid to one of our core boroughs, to augment our income to deliver homes with requisite assurances over building safety. For the year ended March 2022 ISHA's new social housing supply target is 2.8%

Our vision remains to **co-create homes and communities where everyone can flourish.** ISHA's 2020-25 development strategy gives preference to land-led developments, ensuring safety, good quality of construction and more. Although the 2020-2025 strategic plan targeted the building of 400 homes for ISHA and North River Alliance partners, that will not now be achievable given the building safety issues uncovered post the Grenfell fire. The Board will return to this when the full scale of costs for building safety are established.

Gearing

This metric measures the level of debt to net assets, thereby estimating the business's dependency on debt finance. ISHA's gearing ratio is 32.9%, an increase from 29.1% in 2020 but lower than peer group 2020 average of 43.0%. The increase in ISHA's gearing is due to the short-term drawdown of £14m at year-end from the £40m revolving facility available to the association. £11m of the amount had been subsequently repaid.

We scenario and stress test our business plan regularly to ensure it is resilient to withstand hard economic conditions. About a third of the association's stock is uncharged to securitise future borrowing. Our gearing ratio is expected to remain the same by March 2022 at 33% but expected to fall in subsequent years as the association increases its net assets.

We have established financial golden rules with the Board which support our ambitions and protect our business. Our risk register is aligned to the new strategic plan.

The Association's EBITDA-MRI

EBITDA-MRI interest cover reflects the level of surplus that the association generates compared to interest payable. The metric measures the ability of businesses to generate cash, excluding sales of existing assets, in order to meet interest payments (interest cover).

ISHA's financial strategy underpins its strategic objectives. The priority of our financial strategy is to ensure the association remains financially viable and protects service delivery to residents. Some of our lenders also measure ISHA's ability to meet the loan covenants using EBITDA-MRI.

The 2021 result of 106.2% (2020:117.2%) shows that the association is able to meet its loan obligations. The association has a lower EBITDA-MRI percentage than the peer group 2020 average of 137.3%, and lower than its 2019/20 result (117.2%). This is due to the association's lower operating margin for the year (excluding surplus on sale of properties) of £1.2m (2020: £3.7m). The decrease is mainly due to:

- £0.78m first tranche sales income (2020 £3.96m), a reduction of £3.18m, due to the impact of the Covid pandemic as the projects could not be delivered as planned.
- £1.5m of health and safety costs (including £0.8m of waking watch costs) and
- £1.5m end of long-term contract charges raised by our former contractor, MPS, following adjudication including associated legal fees of £0.44m

ISHA's EBITDA-MRI excluding costs included above is 183.9%. The 2020 sector average is 147.4%. The target for March 2022 is 66.1%.

Headline Social Housing costs per unit (*CPU*)

ISHA's Headline Social Housing CPU of £7.0K is an increase of 9.9% above last year's costs (£6.4K) and 1% higher than peer group 2020 average (£6.9K).

The inability to achieve the target set was due to some exceptional costs enumerated in EBITDA-MRI metric above. ISHA's Headline Social Housing CPU excluding the exceptional costs is £5.5K. Further details on Management CPU, Service CPU and Maintenance CPU are in the **Other Metrics** section below.

We have launched a CRM-backed repairs system to create a seamless working environment for our contractors. The new process will enable complete monitoring of all repair jobs and increase transparency in real time. We - as opposed to contractors - will be able to assess resident satisfaction with repairs in a timely fashion. We are engaging contractors who will deliver on our promises and provide greater value for money. However, we are aiming to start the St Mary's Path major works this year and this will affect the target 2021/22 Social Housing CPU. The target is set at £7,517.

Operating margin – Social housing lettings and overall

The negative **social letting operating margin** of -2.2% is mainly due to factors listed in the EBITDA-MRI section above, namely high health and safety costs and end of long-term contract charges raised by our former contractor, MPS. Without these exceptional costs, ISHA's operating margin is 21.2%.

Property sales were affected by the Covid pandemic as we only managed to sell 5 first-tranche units in the year, generating a surplus of £0.27m. This is fewer than the 23 units sold in 2019/20 with a surplus of £1.63m.

In addition, we recognised a £1.2m charge in our accounts for accelerated depreciation relating to the external wall systems at Belvedere Court and Alexandra Court that need replacing. This has also affected the overall operating margin.

The operating margin target for social housing lettings in 2021/22 is 3.7%.

The **overall operating margin** of 5.3% also fell significantly compared to 2020 at 14.8% and the peers' 2020 average of 17.6%. However, excluding the exceptional costs mentioned above, ISHA's overall operating margin is 24.5%. The 2020 sector average is 24.6%.

With the revised repairs process enumerated in the *Headline Social Housing costs per unit* section above, the association's underlying operating margin is expected to improve in the coming year. However, as we prioritise the **safety first** pillar of our strategic plan, we will continue to engage fire wardens where needed to ensure our residents are safe and secure until the cladding projects are completed. Compliance with fire safety regulations will not be compromised by the association.

The overall operating margin target for 2021/22 is 7.9%.

Return on Capital employed (ROCE)

The return on capital employed is essentially a reflection of the outcome of operating margin. The metric measures the efficient investment of capital resources by taking the operating surplus as a percentage of total assets less current liabilities.

2021 ROCE is 0.8% in contrast to 2.3% achieved in 2020 and lower than our peers' 2020 average of 3.5%.

All factors affecting the operating margin as enumerated under *EBITDA-MRI* and *Operating margin* metrics impact the ROCE. If these exceptional costs are not recognised, the ROCE is 2.2%. The determination of the Board to improve the operating margin and the link to our strategic plan under those metrics are equally very relevant.

The ROCE target for 2021/22 is 2.1%.

Other metrics

Management costs per unit (management CPU) increased by 16.7% to £1.4K (2020: £1.2K), but are still 9% lower than our peers' 2019 and 2020 averages (both £1.5K).

Our management costs are impacted by the £1.5m incurred on health and safety costs, including £0.8K waking watch costs, while we resolve the cladding issues with our high-rise blocks. If we exclude the above, the management CPU is £0.76K, which would have been better than the 2020 sector average. The management costs trend is not expected to change in 2022 as we continue to engage the services of fire wardens where necessary, to secure our high-rise blocks. The association is striving to ensure the cladding replacement is completed as soon as possible. The target management CPU for 2021/22 is £1.7K.

Service charge costs per unit at £1.5K has reduced by 15% compared to our 2020 figure (£1.8K) which is connected to the change in our repairs contractors. However, this is 10% higher than our peers' 2020 costs. We are currently striving to reduce service costs through improved monitoring of our contractors. ISHA will not compromise on quality of service.

The target service charge costs per unit for 2021/22 is £1.3K.

2021 **maintenance costs per unit** at £3.2K is 35% higher than the previous year's value and double our peers 2020 average costs per unit.

The £1.5m end of long-term contract charges raised by MPS impacted our maintenance costs per unit. If that is excluded, the maintenance CPU is £2.4K.

Following the end of contract with MPS and subsequent adjudication, repair costs for the coming year should stabilise. The contract termination has given the association an opportunity to procure providers that will live and breathe our values and vision and who are aligned with the delivery of our strategic plan, ensuring an exemplary service is delivered to our residents. Feedback from our residents has also been phenomenal. The target maintenance costs per unit for 2021/22 is £2.3K

Major repairs costs per unit is lower this year at £364 per unit (2019; £527). We spent £0.6m to carry out capital major repairs during the year, thus reducing revenue repairs substantially. However, we are aiming to commence the St Mary's Path major works this year, and this will affect the target major repairs costs per unit. The target for 2021/22 is £1.0K.

Internal value for money targets and performance
Value for money underpins the delivery of ISHA's vision, strategy and our five-year strategic plan. The value for money targets have also been aligned with the pillars of the strategic plan.

The internal value for money report is delivered to the Board on a quarterly basis. Actual results are reviewed against targets and rigorously appraised for potential options for improving performance. Where variance from target is noted, the association analyses the costs and benefit of alternative actions in order to ensure available resources are maximised for the benefit of residents. Our budgets are tightly controlled whilst we also strive to maintain all our stock at high standard. The finance-related value for money targets are monitored through our monthly management accounts by the Leadership Team.

Below are the association's internal value for money targets and performance:

Key internal VFM target	Target 2022	Actual 2021	Target 2021	Actual 2020
Safety First				
Number of properties without landlord gas safety certificates	0	3	0	0
Number of overdue fire safety actions	0	14	0	39
Thinking specifically about the building you live in, how satisfied or dissatisfied are you that ISHA provides a home that is safe and secure?[1]	75%	68%	N/A	N/A
Service and Satisfaction				
Customer satisfaction with the overall repairs service provided by ISHA	72%	57%	>= 85%	50%
Customer satisfaction with cleaning	77%	74%	>= 75%	80%
Customer satisfaction with gardening	72%%	59%	>= 75%	64%
How satisfied or dissatisfied are you that ISHA is easy to deal with? [1]	70%	54%	N/A	N/A
Resolution of caller's issue at first point of contact (right first time)	85%	82%	>= 85%	86%
How satisfied or dissatisfied are you with the overall quality of your home? [1]	80%	72%	N/A	N/A
Customer Satisfaction with the overall service provided by ISHA as a Landlord	72%	61%	65%	60%
Security and Growth				
Satisfaction with Outreach and Support services[1]	95%	100%	N/A	N/A
Satisfaction with ISHA's case handling of Anti-Social Behaviour cases[1]	90%	89%	N/A	N/A
Satisfaction with new homes (re-let) [1]	95%	98%	N/A	N/A
Supply				
Number of new homes handed over	80	20	70	80
Average Void Period (in weeks)	12 wks	28 wks	12 wks	11 wks
Cumulative In-Year Shared Ownership 1st Tranche Income	£4.7m	£0.8m	£3.4m	£4.0m
Average 1st Tranche Percentage Achieved[1]	25%	N/A	N/A	N/A
Cumulative number of In-Year Shared Ownership Sale Completions	43	5	21	23
Sustainability				
Sales of void units to finance safety in our properties and business growth[1]	10units - £3.5M	N/A		N/A
Average re-let days for General Needs	<=28days	64days	<=20days	62days
Current general needs arrears as a percentage of the rent roll	4.50%	5.60%	<= 4.0%	6.3%
Employee Engagement	75%	67.5	75%	66%*
Average staff sickness days	<= 5.0 days	3.6 days	<= 6.5 days	7.2 days
Cumulative staff turnover	<= 15%	7%	<= 15%	24%
Non-Development Capital spend within budget	On budget	£552k saving	On budget	£89k saving
Overhead spend within budget	On budget	On budget	On budget	£36k saving

[1] - New metrics

New Metrics

We have created new metrics that will challenge us to deliver the top-level service that we desire for our residents in the coming years. The following are the new targets that we have set during the year:

New metrics	Reasons for targets
Thinking specifically about the building you live in, how satisfied or dissatisfied are you that ISHA provides a home that is safe and secure?	During 2020/21 ISHA has invested significantly in improving resident satisfaction that ISHA provides a home that is safe and secure. This has been achieved through a new Building Safety team who have developed a robust resident engagement programme which has established trust among residents and leaseholders. ISHA has also embarked on significant estate safety improvement projects including twilight inspections identifying areas of poor or broken lighting. ISHA's compliance team has worked hard with new contractors, to ensure consistent high level gas safety compliance, even during lockdown periods. Communication with residents has also significantly scaled up during the 2020/21 period, offering reassurance and safety advice for homes. The measure will enable ISHA to monitor progress in 2021/22
How satisfied or dissatisfied are you that ISHA is easy to deal with?	During 2020/21 ISHA has made significant structural and procedural changes in reaction to unsatisfactory results in being easy to deal with. This period has presented significant challenges to the sector, the Covid lockdown has forced housing associations to pivot to remote working overnight. ISHA has learned how to ensure that residents are able to access information and services without difficulty, even during emergency and prolonged difficult situations such as the lockdown. This was achieved by switching from a call handling contractor to internal call handling; new, covid-safe working environments for the Customer Service team; and greater transparency through the independent resident Scrutiny Panel meeting regularly with ISHA's CEO and Board. ISHA will work to ensure we are easier to deal with in 2021/22
How satisfied or dissatisfied are you with the overall quality of your home?	During 2020/21 residents have remained positive about the quality of their homes. ISHA has a good reputation for quality build; coupled with the extra attention placed on responsive repair contractors, cyclical works and communal estate improvements, this metric has remained

	strong throughout the period and will continue to be monitored.
Satisfaction with Outreach and Support services	We have developed a new outreach & support service with increased focus on tenancy sustainment. The new service has divided the outreach & support officers between the Income and Tenancy Sustainment team and the Housing Management team. This will enable outreach & support officers in the Income & Tenancy Sustainment team to focus on supporting our residents who require financial support and help us prepare for the full roll-out of universal credit, whilst enabling those working in the Housing Management team to support vulnerable residents with complex health and social care needs to sustain their tenancies and flourish in their homes. We will monitor satisfaction of this service through satisfaction surveys following closure of each case. Included in the strategic plan for 2021/22 is to develop a programme to support and monitor vulnerable residents involving partners and agencies and develop policy/protocol on early intervention between income and outreach and support teams. This metric would enable ISHA to assess the effectiveness of the programme put in place.
Satisfaction with ISHA's case handling of Anti-Social Behaviour cases	We will measure whether residents who experience ASB are satisfied with how we have handled their cases, enabling us to measure performance against our peers.
Satisfaction with new homes (re-let)	In 2020/21 we introduced a new lettings standard which included new tenancy packages including carpets and window coverings in relet properties, and earlier settling in visits where any additional support required for residents in their new homes can be identified. The success of this will be measured in satisfaction surveys.
Average 1st Tranche Percentage Achieved	We are introducing this new metric to measure sales performance against sector standards and scheme appraisal assumptions.
Sales of void units to finance safety in our properties and business growth	As mentioned above, when seeking to remediate our high-rise buildings for safety reasons, we seek recourse from the developers first. We will however need to fund those that developers are not legally liable for and those blocks below 18 meters that we may remediate. The sale of the 10 void units is expected to generate £3.5m in 2021/22 and enable us to fund part of the building safety works and work at St Mary's Path.

Safety First

Number of properties without landlord gas safety certificates and number of overdue fire safety actions

Metric	2022 Target	2021 Actual	2021 Target	2020 Actual
Number of properties without landlord gas safety certificates	0	3	0	0
Number of overdue fire safety actions	0	14	0	39

Our performance

The safety of our residents is ISHA's top priority, and that is why safety is the first pillar of our strategic plan.

As promised, during the year we established the Building Safety team. Together with the Compliance team, they ensure our homes are safe for our residents to live in while the Health & Safety Forum assesses all health & safety reports.

ISHA's target is to ensure all landlord gas safety certificates are issued promptly and fire safety actions are dealt with without any delay. However, at the end of the year, three gas safety certificates were pending, as some residents understandably declined to provide access due to concerns over the possibility of our contractors' transmission of the Covid-19 virus.

In addition, 14 fire safety actions were also overdue at the end of the year due to Covid-19 lockdown, inability to procure fire doors within the prescribed timeframes and the high demand for fire doors. Fire risk actions were reported to every Board meeting.

We have started working on our resident engagement strategy for building safety to provide residents with better information, listen to their concerns and take action to ensure "safety first" is always achieved.

All our homes over 18 meters and 7 below 18 meters have been opened up to establish whether aluminium composite material (ACM) is present and to plan remedial actions. The external intrusive survey work has now been completed for all ISHA freehold buildings over 18m.

Our plans

By 2025 we aim to deliver safe homes that meet the high standards for building safety and management with a qualitative measure of whether we would have someone we love live in our homes. We believe this captures the spirit of the Hackitt Review that urged the industry to move towards ensuring safety, rather than ensuring compliance.

We are working on obtaining EWS1 certificates for all our tall buildings. The external intrusive survey work has now been completed for all ISHA freehold buildings over 18m and we have kept our residents engaged.

Other strategic plan targets for safety include fail-proof systems for health and safety compliance – e.g. gas safety, legionella, asbestos etc., and full, demonstrable legal and regulatory compliance on safety.

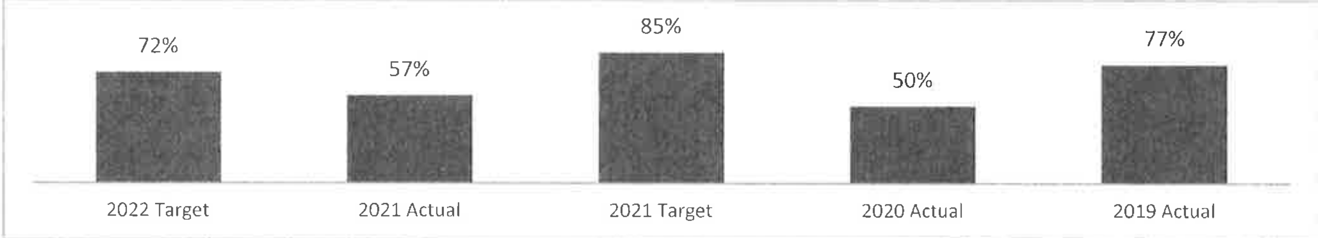
Our PIMMS database is now being consistently used for recording compliance and despite a year of intermittent Covid lockdowns we have performed well on gas safety. Performance has never dropped below 99.5% throughout the pandemic.

In our strategic plan, 2021/22 is set to be the final year of our domestic electrical testing programme and the beginning of a rolling programme. Despite the slowdown caused by the lockdown in the past year, we are working tirelessly to achieve this. We will strengthen our compliance processes with assurance provided, as usual, through regular internal audit.

We have obtained EWS1 certificates for 9 of our buildings allowing leaseholders to be able to sell their homes without hindrance. We have removed the ACM cladding from Burbage House and Lyme Grove House. We have engaged with our residents and will continue to keep them informed, and will be transparent about the progress and outcome of the inspections.	

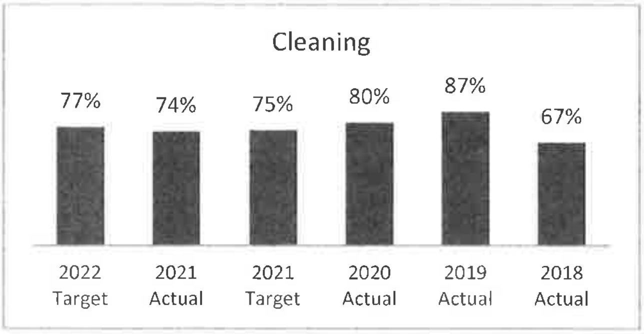
Service and Satisfaction

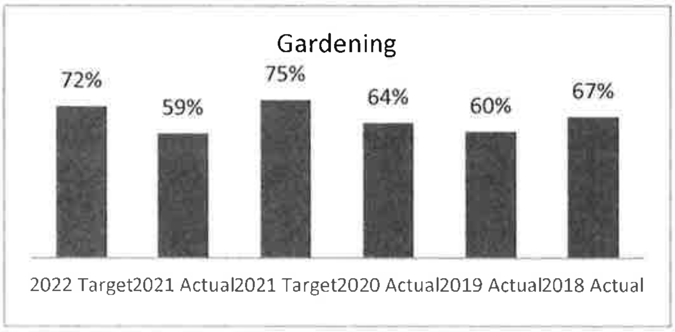
Customer satisfaction with the overall repairs service provided by ISHA



Our performance	Our plans
2021 repairs satisfaction is based on monthly perception questions, and so we cannot vouch for its timeliness (questions relate to any repair completed within the last 12 months). Repairs satisfaction is a major factor in overall customer satisfaction, during 2021/22 ISHA will begin automated transactional surveys which will offer greater detail about each repair job, the contractor and quality of the work.	Following a localised tender, 4 small and medium size contractors have been selected. These contractors will support us during the long-term tender process and will also have the opportunity to tender themselves. ISHA's new repairs process has now started for selection of more long-term localised relationships across all core work streams. This is due for competition late 2021. Finally, improvements in other areas are targeted in the Asset Management strategy. As stated in our strategic plan for 2021/22, we will look at double or triple glazing during cyclical works as part of the strategy to reduce the carbon footprint of our buildings.

Customer satisfaction with cleaning & gardening





Our performance

Customer satisfaction with cleaning is 74% against a target of 75%. This is a decline on the previous year's satisfaction level. Some of this can be attributed to the increase in bulk refuse left on estates during the Covid lockdowns.

Customer satisfaction with gardening is 59% against a target of 75% and is due to contractor performance. We have worked closely with our contractor to develop a gardening improvement plan which has included the recruitment of a new team of gardeners (which includes staff with gardening experience). Early indications are that customer satisfaction with this service area is improving.

Our plans

We have already seen an improvement in the gardening service since the introduction of the new gardening team.

In 2021/22, we have committed ISHA to work with local authorities in our areas of operation to ensure residents can fully recycle. We will also work to reduce the carbon footprint of our buildings and business practices including greening, gardening, and continuous improvement in the standard of our environmental practices.

Resolution of caller's issue at first point of contact (right first time)

Our performance

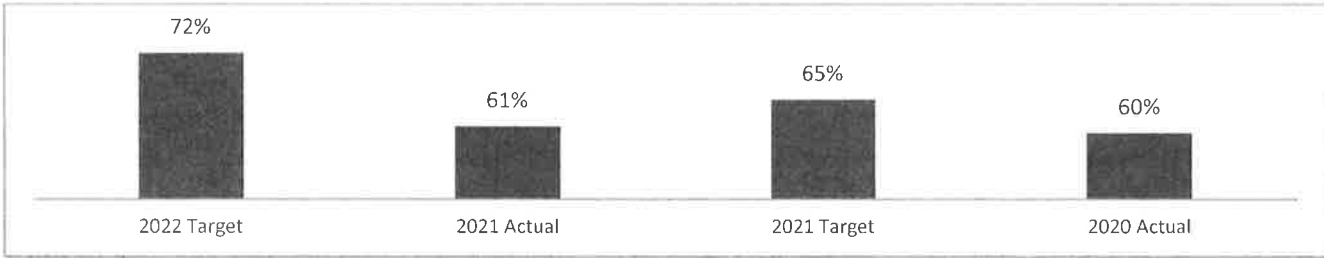
With fewer Customer Service team members working in the office and a reduction in immediate access to staff, there has been a slight decline in the resolution of queries on a first contact basis. Sales calls have also been diverted to the Customer Service line

Our plans

In our 2021/22 strategic plan, we are committed to having a comprehensive customer satisfaction strategy signed off by the Board. This will include customer insight, communication, the next iteration of co-creation etc. We will improve our approach to areas that we know drive dissatisfaction such as lifts, car

which requires taking messages from recipients but not responding to their immediate queries. Some improvements have been made to enhance service delivery: • The introduction of 3 new permanent staff members • Varied and specific training sessions to aid team members to resolve queries immediately, e.g. Income Team training / neighbourhood visits • CRM - availability of information produced by the system has made response to queries easier (including for those who were working from home). • Some colleagues have had their internal phonelines forwarded to mobiles to enhance better communication/access • Increased access to systems so that the CST have visibility of further resident/homeowner information • A new car parking contractor has been appointed that will be able to manage concerns raised by residents. A Complaints & Resolution officer has been appointed. They acknowledge, investigate and respond to complaints and hold weekly meetings with appropriate teams to ensure that complaints are managed in a timely way; that communication is maintained; and that lessons are learned from complaints.	parking and repairs. The target agreed for resolution of caller's issue at first point of contact (right first time) is 85%. We will learn from complaints and strive to measure reduction in same type of complaint as learning is spread across the organisation. Our targets also include ensuring no cases are upheld by the Ombudsman against ISHA.

Customer Satisfaction with the overall service provided by ISHA as a Landlord



Our performance

In 2020/21 we achieved 61% (combined leaseholder & general needs) satisfaction with ISHA as a landlord. This is a great achievement and represents true improvement from 2019/20, despite the trials that the year has brought, however improvement must continue.

We continue to invest in technology in order to help our staff be more efficient. Training has been provided for all staff in post by the Institute of Customer Service, a rolling plan is being programmed for new starters and service improvement plans rolled out.

A thorough annual satisfaction report was created by the Institute of Customer Service on behalf of ISHA containing in-depth recommendations for areas to boost resident satisfaction. This report was presented to Board and will be cascaded to staff and residents to ensure trust and transparency.

The Resident Scrutiny Panel has continued its hard work throughout the Covid lockdowns. One major review took place on ISHA's response to the Covid lockdown, allocation of resources and how to improve communication. ISHA also completed actions from previous resident forums during this period. The Scrutiny Panel began meeting regularly with the CEO and Board, providing necessary assurance and resident perspective.

In December 2020, the Resident Involvement and Engagement strategy (2020-2025) was published, outlining ISHA's plans to grow and develop the scrutiny programme into more areas including repairs, complaints and health and safety.

Our plans

By 2022, we plan to have our Board sign off our comprehensive **Resident Satisfaction Strategy** which includes customer insight, communication, and approaches to areas like lifts, car parking, repairs and communications.

By 2022 we plan to work with partners and agencies to set up a programme to support residents and develop a policy and protocol on early intervention.

Our set goal on Customer Satisfaction as contained in our strategic plan is that by 2025, **residents would choose one of our homes if they had the choice and advocate for us**. Also, we aim to:

- achieve 90% resident satisfaction
- win a UK Customer Service award
- achieve 95% resident satisfaction with our homes

Somewhere

The *Somewhere* of our strategic plan focuses on anchoring ourselves in North London, especially Islington, Hackney and Waltham Forest. The association has continued to play its part through collaboration and negotiation in order to build good relationships with local councils in our areas of operation, our local communities and other housing associations. We have developed a framework to allow us to contract with local businesses.

For the 2021/22 financial year our targets, amongst others, are to:

- Secure the disposal of one site from one of our core boroughs for the building of rented homes. We have an excellent reputation with the local authorities in our areas of operation, they know that partnering with us helps to achieve their objectives, and they trust us.
- Roll out our engagement strategy
- Work on initiating 'stock-swaps' or disposals in non-core boroughs
- Contract with at least 2 local businesses where appropriate

Supply

Number of new homes handed over, average void period (in weeks) and cumulative in-year shared ownership 1st tranche income

Metric	2022 Target	2021 Actual	2021 Target	2020 Actual	2019 Actual	2018 Actual
Number of new homes handed over	80	20	70	80	37	2
Average Void Period (in weeks)	12	28	N/A	N/A	N/A	N/A
Cumulative In-Year Shared Ownership 1st Tranche Income	£4.7m	£0.8m	£3.4m	£4.0m	N/A	N/A
Cumulative number of In-Year Shared Ownership Sale Completions	43	5	21	23	N/A	N/A

Our performance

Social distancing affected the work our contractors undertook and has consequently affected the build programme. After the second wave, there was a period where manpower and productivity was down by as much as 50% across some of our sites. The pandemic also affected deliveries to site which in turn led to delays or the postponement of jobs to be carried out by statutory bodies. This also impacted shared ownership sales

As at March 2021, sales income was £0.8m against a target of £3.4m, a

Our plans

Our target by 2021 is to sell all our homes within 12 weeks of handover, and within 8 weeks by 2025.

We will be working harder to improve our relationship with homeowners. We have established a shared ownership and leasehold team within our organisational structure to serve our homeowners better.

We have started to obtain the external wall fire review (EWS1) certificates for our tall buildings to enable homeowners to meet mortgage lenders' requirements for staircasing or resale purposes.

shortfall of £2.6m. 5 first tranche units were sold against a forecast of 21.	In our strategic objectives for 2021/22, we have set ourselves the targets of handing over 80 units, completing all buildings with requisite assurances over building safety and handing over Shared Ownership properties with an EWS1 form. The target delivery number will be revised mid-year 2021/22 by the Board. For the NRA, we also plan to sign agreements to build an additional 80 homes and secure one NRA member as a delivery partner. We know these are ambitious targets, but they are also key to delivering on our strategic plan.

Sustainability

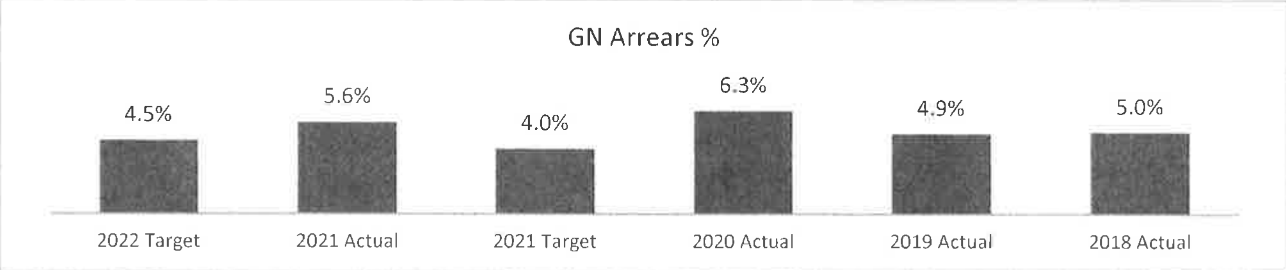
Average re-let days for General Needs

Metric	2022 Target	2021 Actual	2021 Target	2020 Actual	2019 Actual	2018 Actual
Average re-let days for General Needs	28	64	20	62	99	38

Our performance	Our plans
Meeting our relet target has continued to be a challenge and this has been exacerbated by delays in receiving nominations from local authorities. This is compounded by difficulties in local authorities nominating to affordable rent properties due to their higher rent levels and applicants failing the affordability assessment or refusing offers due to the rent level. The cyber-attack in the London Borough of Hackney has impacted on their ability to make nominations to properties and this has also impacted our void turnaround. In the third quarter of 2020/21 we introduced earlier viewings in our voids process which improved void turnaround times. We have rolled out our new improved void and letting standards with residents, with new tenancy packages	We will continue to work closely with local authorities to reduce void turnaround and minimise void loss. We will introduce new void and lettings processes in 2021/22 to include pre-void inspections and timescales for lettings activities. We will work with our local authority partners to explore a change in nomination arrangements for our affordable rent properties.

that will include carpets, curtains and a fully decorated property.	

Current general needs arrears as a percentage of the rent roll



Our performance

We achieved year end arrears figure of 5.6% against a target of 4.0%. This was an improvement on 2019/20 when we finished the year with 6.3%.

Covid-19 has had a significant impact on income recovery for several reasons; residents having a reduction in their income leading to an increase in universal credit claimants, changes to legal processes resulting in longer notice periods, and a moratorium on court action between April and December 2020.

The London Borough of Hackney cyber-attack in September 2020 has also had an impact on our arrears figure. We estimate this local authority owes ISHA approximately £50k in outstanding housing benefit.

We are still hindered by the lack of an effective income collection IT system, meaning that much of our income recovery processes are manual and require excessive staff resources.

We have increased the resource in the income team from 2 income recovery officers to 3.

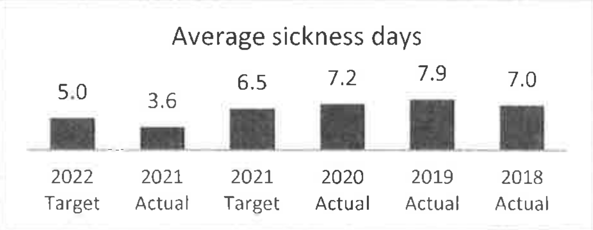
Our plans

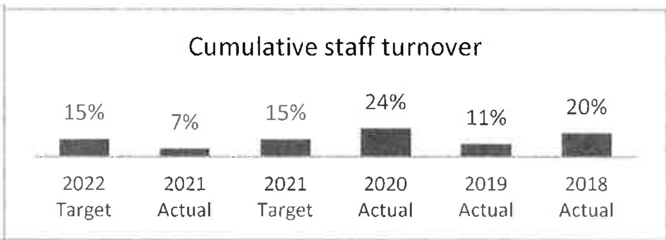
We have restructured our teams to include outreach & support officers in the income and sustainability team, bringing improved collaborative working to support residents impacted by welfare reform.

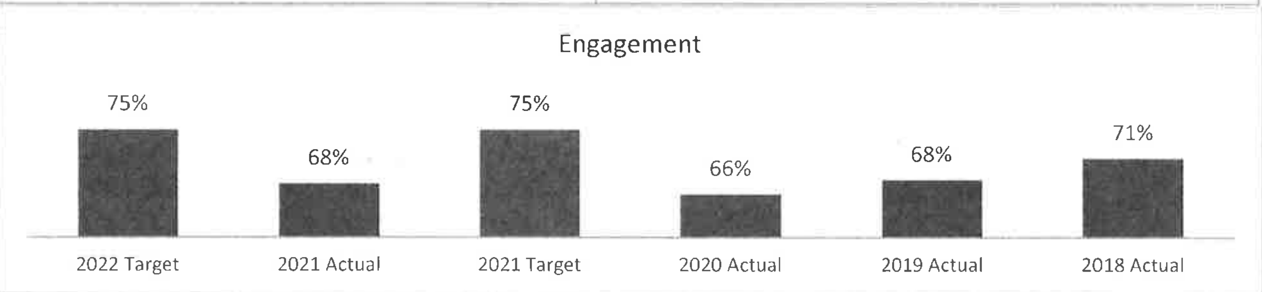
We will deliver targeted training for UC claimants focusing on IT skills and employability.

We will roll out the use of a new IT system for income recovery (MS Dynamics) which has an escalation facility requiring less staff resource than the current process.

Employee engagement, sickness and cumulative staff turnover







Our performance

ISHA recognises that a healthy, happy and engaged workforce leads to increased productivity and excellent service to residents.

We ran quarterly engagement pulse surveys through the year and the actual figure is the average figure for the year. Engagement levels fell during summer 2020 and Covid and peaked at 82% in December 2020 when it seemed the country was opening up, dropping again in March 21 during lockdown.

During the year, in consultation with staff, we introduced a new flexi time procedure which included an element of home working. Because of Covid we still need to review how that is working.

Sickness levels fell significantly during the year and were within target.

Staff turnover also dropped during the year to within target.

The Leadership Team continues to monitor sickness and staff turnover closely, analysing reasons in order to determine support required and assessing the impact on the business.

Our plans

We know that we will only achieve our ambitious strategic plan and resident satisfaction if we have engaged staff. That is why staff is one of the pillars of our strategic plan and we will continue to set out our people objectives through the plan.

Because of Covid and a temporary move to homeworking for many staff, some plans were postponed. We set up the onboarding processes online for new starters and put other HR processes online. We plan to further improve the onboarding experience for new joiners and to consult with staff on reward and recognition. We also plan a management academy to support our managers with great people skills in line with our values

We co-created a new structure with staff in 2021 to improve our services to leaseholders and recruited to the roles which had been filled long-term with temporary staff. This should improve some engagement levels in terms of commitment to ISHA.

Non-development capital and overhead spends within budget

Metric	2022 Target	2021 Actual	2021 Target	2020 Actual	2019 Actual	2018 Actual
Non-Development Capital spend within budget	On budget	£552k saving	On budget	£89k saving	£508k saving	£164k saving
Overhead spend within budget	On budget	On budget	On budget	£36k saving	£408k saving	£645k saving

Our performance	Our plans
The non-development capital expenditure was £552k underspent because the capital expenditure budget for lifts, office equipment and commercial rent properties was not used during the year due to the Covid-19 pandemic. £119K of the £765K capital expenditure was spent during the year to equip our staff for mobile working capability including purchase of computer equipment, enabling them to work remotely during the pandemic. This was a capital expenditure in our books. The remaining capital expenditure relates to the replacement of scheme assets. Our overhead costs are within budget.	The unutilised capital expenditure is now slated for the 2021/22 financial year. £846K has been budgeted for lifts, boilers, kitchens bathrooms and other component replacements in our homes. We are committed to maintaining and improving the quality of our homes so that our residents would choose one of our homes if they had the choice. In 2021/22 our monthly finance closing and budget monitoring process will be enhanced with the purchase ordering system to ensure our overhead and other operational costs remain within budget.

Investment plan

ISHA's Asset Management Strategy is based on the following principles:

- Programming delivery of works in the most efficient and cost-effective manner
- Delivering sustainable investment, contributing to reducing carbon emissions and benefiting the local community.

We aim to provide quality accommodation right at the start of the tenancy and then follow this up by providing a resident-focused maintenance service.

The objective of our Asset Management Strategy is to keep dwellings in good condition in the most cost-effective ways. We will bring properties up-to-date and in line with current and projected resident expectations and demand so that our residents are satisfied with their accommodation. We will do this through:

- An efficient and effective voids repair service, helping to speed the repairs process and protect revenue
- An efficient and effective responsive repairs service
- Ensuring works comply with current and prospective regulations
- Providing a balance between responsive and cyclical repairs and capital investment
- Cyclical maintenance to prevent deterioration in the physical condition of the stock

- Replacing components just before they would otherwise require ongoing multiple response repairs
- Refurbishment and remodelling of dwellings to ensure they remain attractive, and meet modern requirements and resident expectations
- Achieving high standards of energy efficiency

Maintaining financial viability

ISHA's financial strategy underpins the strategic objectives. We must ensure that the business remains financially viable and protects service delivery to customers.

We review annually the mitigating assumptions to make sure we are financially viable. Mitigating assumptions have been incorporated into the 30-year plan. Overall, the model demonstrates that these mitigations are sufficient to maintain the association's financial viability.

ISHA has met and is forecast to meet all its loan covenants and has a strategy in place to fund our building safety costs by selling ten void units.

We have further strengthened our assessment of long-term viability to make sure our assets are protected by:

- Maintaining a record of assets and liabilities, and all contractual agreements, and a method for making sure it is kept up to date
- Stress testing the business plan across a range of scenarios that would break the plan. From these tests we have identified further key mitigations to protect the business from breach of viability.
- Appointing Savills as the Board's treasury advisors and agreeing a treasury management strategy
- Continuous Board oversight on the association's strategic register

The 2020/21 financial statements are compliant with the accounting standards introduced by the Statement of Recommended Practice; Accounting by Registered Social Housing Providers Update 2018.

Equality and diversity and employees

ISHA is committed to ensuring that the needs of the individual have been considered at the point of service, and actively examines its practices to ensure that services do not have a differential impact on a group or groups of people within the communities it serves. At the year end, ISHA had 62.4 full time equivalent staff. Across the boroughs we operate in, a significant proportion of people in housing need are from black and ethnic minority communities. This is reflected at ISHA where 57% of our staff are from black and ethnic minority communities.

Health and Safety

ISHA recognises its responsibilities on all matters relating to health and safety. We have appointed a Building Safety manager and Building Safety officer to work to ensure ISHA is compliant with new building safety regulations. ISHA has a Compliance Team for all other health and safety issues within residents' homes. The Board receives regular updates on all matters of health and safety so that they can be adequately assured about the management of issues.

The Board regularly reviews and monitors its policies and provides staff training and education. ISHA ensures good practice and compliance with fire regulations, and maintains its compliance with fire safety standards. We continue to work with the Ministry of Housing, Communities and Local Government (MHCLG) in remediating buildings with ACM and other external wall systems which may contain combustible materials.

Governance

The Board is responsible for the overall strategic direction of ISHA, which includes the approval, monitoring and compliance of key policies and to ensure that the objectives of the association are achieved. The Board met nine times during 2020-21, including two additional meetings due to the pandemic, as well as holding one away day online. The three committees of the Board – Audit & Risk, Development and Remuneration – and the Resident Scrutiny Panel (which reports directly to the Board) each met several times during the year.

The main focus of the Board in 2020-21 was on the management of risk and finances as well as building safety. Working with external consultants, the risk register was re-formatted to focus on control and mitigation, financial golden rules were set and a new Risk Management Policy was approved. The risk register and building safety reports were reviewed by the Board at each meeting. As part of the first year of the five year strategy, new strategies were approved for Asset Management, Development, Resident Involvement & Engagement, Mergers & Acquisitions, Treasury Management and Value for Money. New governance policies approved included a new Board Appraisal and Effectiveness Policy, Board Recruitment and Succession as well as a Board Skills Strategy. Three new board members (2 residents) and the Chief Executive were appointed to the Board during 2020-21. As of 31 March 2021, the Board had 12 members – 3 residents, 7 women and 5 men and 4 members identifying as BAME.

In order to maintain high standards of probity, a new Code of Conduct for Board Members, Staff and Involved Residents was introduced. In March 2021, ISHA adopted the NHF Code of Governance 2020. ISHA is committed to attaining the highest standards of corporate governance and will keep its Board structure and procedures under review. The day-to-day operational control of the association is delegated to the Leadership Team.

- The Board has delegated responsibility for audit supervision to the Audit & Risk Committee and employs independent auditors for both internal and external audit. The Audit & Risk Committee consists of voluntary members who, by virtue of their position, are themselves independent from the paid officers of the association.

All Board members are required to subscribe to the agreed aims of the association. The Board's responsibilities in respect of the financial statements are set out as follows:

Internal control

The Board is responsible for ISHA's system of internal control and reviewing its effectiveness. The Board recognises that no system of internal control can provide absolute assurance or eliminate all risks. However, the system of internal control is designed to manage risk and to provide reasonable assurance regarding the safeguarding of assets, control of risk, maintenance of proper accounting records and the reliability of financial information.

The Board and its Audit and Risk Committee carry out monitoring activities to ensure that appropriate control procedures are in place and changes required to these are identified and actioned. To this end, they are assisted by internal audit arrangements carried out by a professional firm. There are formal procedures for reporting weaknesses in internal controls or fraud and as part of these controls, internal audit and senior officers of the association have access to the Board and Audit and Risk Committee. No material weaknesses in internal control have been identified which require disclosure in the financial statements.

There is a clearly defined organisational structure based upon the system of delegation set out in standing orders, financial regulations, policies and procedures, which were updated in February 2021 and approved by the Audit and Risk Committee on 14 April 2021 as part of the regular review of our systems.

ISHA is committed to regular, timely and accurate financial management reporting. Such reporting includes monthly budgetary control arrangements, including reporting on variances and regular reports on the revised performance management framework. All of the Leadership Team take internal control seriously. Staff are encouraged to discuss ways in which procedures can be improved with their managers in an open way. Directors are required to report to the Chief Executive on the effectiveness of the controls. The Chief Executive reports to the Board on the appropriateness and effectiveness of the systems of internal control.

The Board receives confirmation that controls continue to operate from three main sources. These are:

- Internal audit reports prepared according to an agreed plan over a three-year cycle
- External auditors' management letters
- Compliance reports issued by the Regulator

There were no major instances of the failure of controls to operate and this was reported to the Board.

The Board is aware that neither the external auditor nor the Regulator of Social Housing have any specific responsibility to identify shortcomings in ISHA's systems of internal control. The responsibility rests solely with the Board.

The Board obtains additional assurance through other sources including the internal audit process as the principal reassurance on control matters.

Statement of compliance

ISHA's Rules of Association were approved by Shareholders in September 2014. They are based on the NHF Model Rules 2011 with 2014 updates as per changes in legislation or regulatory guidance. ISHA's Code of Governance ensures that its governance systems and practices are robust. ISHA adopted the National Housing Federation (NHF) Code of Governance 2020 in March 2021. A self-assessment of compliance against the NHF 2015 Code, the Code applicable for the majority of the 2020-21 financial year, was reviewed by the Board in July 2021. The Board is satisfied that ISHA was compliant with its Code of Governance in 2020-21.

Governance and Financial Viability Standard

The Association complies fully with the Regulator of Social Housing (RSH) Governance and Financial Viability Standard with the following exception:

- *It was identified that the rents on 88 units had been set incorrectly and were not in compliance with the Welfare Reform and Works Act 2016 and therefore the RSH's Governance and Financial Viability Standard. The rents on all 88 properties were subsequently corrected after the period end.*

Rent Standard

The Association complies fully with the RSH's Rent Standard with the following exception:

- *It was identified that the rents on 24 units had been set incorrectly and were not in compliance with the Rent Standard. The rents on all 24 properties were subsequently corrected after the period end.*

Risk management

In 2019/20 an experienced governance consultant was brought in to review the governance structure. This resulted in a new committee structure as well as a new internal risk management framework for 2020-21.
It uses the three lines of defence model and introduced a twice-yearly control risk self-assessment (CRSA) exercise by Leadership Team to provide assurance to the Board on the design and operation of internal controls by staff. As part of the evaluation and monitoring of risks, the Leadership Team and the Board have reviewed the risks facing ISHA in the current economic climate and put in place golden rules, representing a way to express the association's risk appetite and also enforce that appetite on strategic and operational decisions. Financial viability remains the highest monitored risk at Executive, Board and Regulator level.

The strategic risk register was redesigned by the Leadership team in autumn 2019 with the following improvements:

- Risks are categorised under the association's objectives and are rated according to the likelihood of the event happening as well as the consequence should the event occur.
- The Association also implemented a trigger for flagging risks to Board.
- Highlight controls that need to be in place and the confirmation by the LT of their existence and effectiveness.

The strategic risk register is reviewed and approved at each Audit and Risk Committee and Board meetings.

- The strategic risk register was reviewed at the Audit and Risk Committee meetings held in July and November 2020 and January 2021. The committee agreed that appropriate risks are identified, the risk ratings are suitable, and the right levels of controls are in place.

The Strategic Risk Register was reviewed or approved by the Board at the meetings held in April, June, July, September, November and December 2020 and in January and March 2021.

Auditors

A resolution to re-appoint Beever and Struthers will be proposed at the forthcoming annual general meeting.

The report of the Board was approved on 15 September 2021 and signed on its behalf by:

Mervyn Jones
Chair of the Board

BOARD'S RESPONSIBILITIES STATEMENT (RSHP registered in England and registered under the Co-operative and Community Benefit Societies Act 2014)

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

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the association and of its income and expenditure for that period.

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

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

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the association and enable it to ensure that the financial statements comply with 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 in England 2019. It has general responsibility for taking reasonable steps to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

Independent auditor's report to the members of Islington & Shoreditch Housing Association Limited

Opinion

We have audited the financial statements of Islington & Shoreditch Housing Association Limited (the Association) for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2021 and of the Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of 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 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 Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to the members of Islington & Shoreditch Housing Association Limited

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Committee

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

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws and regulations that affect the Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the nature of the Association's activities and the regulated nature of the Association's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.

Independent auditor's report to the members of Islington & Shoreditch Housing Association Limited

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

Use of our report

This report is made solely to the Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Beever and Struthers
Chartered Accountants
Statutory Auditor

15 Bunhill Row
London
EC1Y 8LP

Date: 17 Sepember 2021

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £'000	2020 £'000
Turnover	2	23,573	24,650
Operating costs	2	(22,328)	(20,995)
Surplus on sale of properties and land	20	1,271	3,386
Operating surplus	2	**2,516**	**7,041**
Interest receivable		16	120
Interest and financing costs	7	(3,564)	(3,886)
Movement in fair value of investment properties	9	162	(391)
(Deficit) / surplus for the year		(870)	2,884
Actuarial (losses) / gains in respect of pension scheme	23	(1,635)	1,743
Total comprehensive income for the year		**(2,505)**	**4,627**

All amounts relate to continuing operations. The accompanying notes on page 40 to 71 form part of these financial statements.

The financial statements were authorised and approved by the Board on 15 September 2021.

Mervyn Jones
(Chairman)

Heather Topel
(Chair of the Audit and Risk Committee)

Laura Hopper
(Secretary)

STATEMENT OF CHANGES IN RESERVES

Income and Expenditure Reserves	**£'000**
Balance as at 31 March 2019	79,751
Comprehensive income for the year	2,884
Other comprehensive income for the year	1,743
Balance as at 31 March 2020	**84,378**
Comprehensive income for the year	(870)
Other comprehensive income for the year	(1,635)
Balance as at 31 March 2021	**81,873**

The accompanying notes on page 40 to 71 form part of the financial statements.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

		2021	2020
FIXED ASSETS		**£'000**	**£'000**
Tangible fixed assets	8	300,904	283,696
Investment Properties	9	19,780	19,618
Intangible Assets	10	93	129
		320,777	**303,443**
CURRENT ASSETS			
Properties held for sale	11	2,577	4,771
Trade and other debtors	12	3,179	4,226
Cash and cash equivalents		8,893	14,888
		14,649	23,885
CREDITORS: amounts falling due within one year	13	(15,740)	(17,712)
NET CURRENT ASSETS		**(1,091)**	**6,173**
TOTAL ASSETS LESS CURRENT LIABILITIES		**319,686**	**309,616**
CREDITORS: amounts falling due after more than one year	14	234,463	221,631
PROVISIONS FOR LIABILITIES			
Defined benefit pension liability	23	2,569	1,174
Other provisions	24	781	2,433
TOTAL NET ASSETS		**81,873**	**84,378**

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

		2021 £'000	2020 £'000
RESERVES			
Share capital – Non Equity	18	-	-
Income and expenditure reserve		81,873	84,378
Total Reserves		**81,873**	**84,378**

The accompanying notes on page 40 to 71 form part of these financial statements.

These financial statements were authorised and approved by the Board on 15 September 2021 and were signed on their behalf by:

Mervyn Jones
(Chairman)

Heather Topel
(Chair of Audit & Risk Committee)

Laura Hopper
(Secretary)

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

	Notes	2021 £'000	2020 £'000
Net cash generated from operating activities	(a)	5,520	11,844
Cash flow from investing activities			
Purchase of tangible fixed assets		(23,960)	(17,305)
Proceeds from sale of tangible fixed assets		2092	5,755
Grants received		3,355	1,553
Interest received		16	120
		(12,977)	1,967
Cash flow from financing activities			
Interest paid		(3,539)	(3,818)
Loan drawdown		14,000	-
Repayment of borrowings		(3,479)	(3,350)
Net change in cash and cash equivalents		(5,995)	(5,201)
Cash and cash equivalent at the beginning of the year		14,888	20,089
Cash and cash equivalent at the end of the year		**8,893**	**14,888**

NOTES TO THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH

a. Cash flows from operating activities

	2021 £'000	2020 £'000
Operating surplus	2,516	7,041
Adjustments for non-cash items:		
Depreciation and amortisation of fixed assets	5,348	3,844
Amortisation of grant income	(1,434)	(1,441)
Decrease in trade and other debtors	1,047	1,480
(Decrease) / increase in trade and other creditors	(1,582)	2,771
(Decrease) / increase in provisions	(1,652)	51
Increase/ (decrease) in pension liability	1,395	(1,898)
Defined pension interest charged	(25)	(68)
Actuarial (loss) / gains in respect of pension scheme	(1,635)	1,743
Decrease / (Increase) in properties held for sale	2,194	(2,238)
Net gain from sale of fixed assets	(1,271)	(3,386)
Costs of fixed assets disposed	619	3,945
Net cash from operating activities	**5,520**	**11,844**

NOTES TO THE FINANCIAL STATEMENTS

1a Legal status

The Association is incorporated in England with limited liability as a charitable Housing Association under the Co-operative and Community Benefit Societies Act 2014. The registered office is 102 Blackstock Road, London N4 2DR.

1b Accounting Policies

Basis of accounting

The financial statements of the association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

ISHA is a public benefit entity whose financial statements have been prepared in accordance with FRS 102.

The financial statements are presented in Sterling (£), which is the functional currency of ISHA.

Disclosure exemptions

The Association has adopted the following disclosure exemptions as permitted under FRS 102 Section 1.11-12:

- The requirement to present a statement of cash flows and the related notes,
- items of income, expenses, gains or losses relating to financial instruments, and
- exposure and management of financial risks.

Going concern

The Association has adequate financial facilities in place to resource its day-to-day operations and committed development programmes. The Association's long-term business plan shows that it is able to meet long term debt requirements whilst complying with all lender covenants. No significant concerns have been noted in the business plan updated for 2021/22.

Therefore, the association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future; foreseeable future being at least twelve months after the date that the report and financial statement are signed.

Significant judgement and estimates

The preparation of the financial statements requires management to make significant judgements and estimates when applying accounting policies. The items in the financial statements where these judgements have been made are as follows:

Impairment

Management continuously reviews the performance of its assets to identify any schemes that display indicators of impairment. Management pays attention to schemes that have increasing void losses, have been affected by policy changes or where the decision has been made to dispose of a property.

Where there is evidence of impairment, the fixed asset is written down to the recoverable amount and any impairment losses are charged to operating surpluses.

The recoverable amount is estimated in the following way:

a) Determine the level at which the recoverable amount is to be assessed (i.e. the asset level or the cash generating unit (CGU) level)
b) Estimate the recoverable amount of the cash generating unit and
c) Calculate the carrying amount of the cash generating unit and
d) Compare the carry amount to the recoverable amount to determine if an impairment loss has occurred.

Estimation of uncertainty

- **Useful lives of depreciable assets**

  Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to Decent Homes Standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2021 was £50.4m (note 8).

- **Defined benefit obligation**

  The Association participates in the Social Housing Pension Scheme (SHPS), administered independently by the Pensions Trust. The Pension Trust provides the estimate of the defined benefit pension obligation based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increase. Variation in these assumptions may significantly impact the liability and the annual defined benefit expense (as analysed in Note 23).

- **Capitalisation of property development costs**

  Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation, management monitors the asset and considers whether changes indicate that impairment is required.

  For existing properties, expenditure is capitalised where it will result in enhancement of economic benefit. The amount capitalised in the year was £0.6m (note 8) relating to various schemes.

- **Fair value measurement**

  Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how the market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices.

  Fair value measurements were applied to investment properties. The total value of investment properties was £19.8m at the year end (2020: £19.6M). See note 9.

- **Subsidiary**

  The Association has a dormant subsidiary, Urban Style Limited which had no transactions or balances in the year to consolidate into the association.

- **MPS Contract**

  A long-term contract for the provision of a repairs service by MPS Housing Limited (MPS) ended during the year ended 31 March 2021. MPS subsequently submitted a final account for payment of £3.59m for adjudication. The outcome of the adjudication cannot currently be determined. Further details are provided in note 28.

Turnover and revenue recognition

Turnover comprises rental and service charge income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value, excluding VAT where recoverable, of services supplied in the year and revenue grants receivable in the year.

Rental income is recognised from the point where properties under development reach practical completion or otherwise become available for letting, net of voids. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Revenue grants are recognised when the conditions for receipt of the agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Non-government grants

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

Value Added Tax

The Association charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the association and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as current liability or asset.

Interest Payable

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development it represents:

a) interest on borrowings to finance the development programme after deduction of related grants received in advance; or
b) a fair amount of interest on borrowings of the association as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to income and expenditure.

Financial instruments

Financial instruments which meet the criteria of basic financial instruments as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit. At each year end, the instruments are revalued to fair value, with the movements posted to the income and expenditure (unless hedge accounting is applied).

Debtors

Short term debtors are measured at transaction price, less any impairment.

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

Where deferral of payment terms have been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

Creditors

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

Employee benefits

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

Pension

The Association participates in the Social Housing Pension Scheme (SHPS); administered independently by the Pensions Trust. In the previous year, it was not possible to identify the underlying assets and liabilities belonging to individual participating employers therefore the association had applied defined contribution accounting. For the year ended 31 March 2018, the association had recognised a past service deficit liability of £1,415k, within creditors, based on the present value of the association's deficit funding agreement.

For the year ended 31 March 2019, the association was able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and therefore has applied defined benefit accounting from this date onwards. For accounting purposes, the relevant date for accounting for this change from defined contribution to defined benefit accounting is 1 April 2018.

As at 31 March 2021, the net defined benefit pension liability was £2,569k (2019: £1,174k) which has been included within the provisions for pensions liability in the financial statements.

In the year ended 31 March 2021, the current service cost and expenses are charged against operating surplus. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. (Refer to Note 23 for more details).

Contributions payable from the association to the Pension Trust under the terms of the funding agreement for past deficits is recognised as a liability within other provisions in the association's financial statements.

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally available for rent and are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Expenditure on shared ownership properties is split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as current asset and related sales proceeds included in turnover, and the remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Investment properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in income and expenditure.

Intangible Assets

Intangible Assets consists of costs relating to the development of an integrated Housing and Finance system which was implemented during 2016/17.

Government grants

Government grants include grants receivable from the Regulator of Social Housing (the RSH), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

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

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

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

Where developments have been financed wholly or partly by Social Housing Grant (SHG), a deduction is made to provide cover for development overhead.

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

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to income and expenditure.

Other grants

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

Depreciation of housing properties

The Association separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write down the cost of each component to its estimated residual value, on a straight-line basis, over its estimated useful life.

The Association depreciates the major components of its housing properties on a straight-line basis from the year of purchase or in the first year following that of completion of new properties on the following basis:

Roof structure	100 years
Windows, external doors	30 years
Gas boilers, fires	15 years
Kitchens	20 years
Bathrooms	30 years
Central heating	30 years
Communal parts	30 years
Plumbing and infrastructure	30 years
Electrics	40 years
Lifts	20 years

Freehold land is not depreciated.

Impairment

Annually housing properties are assessed for impairment indicators.

Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value less costs to sell or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the business plan for the next 30 years and do not include restructuring activities that the Group is not yet permitted to or significant future investments that will enhance the assets' performance of the cash generating unit being tested.

Where indicators are identified, an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the scheme is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where a scheme is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less cost to sell.

Depreciation of other tangible fixed assets

Other fixed assets are included at cost to the association less depreciation, which is provided on a straight-line basis over the periods shown below:

Office furniture, equipment and motor vehicles	4 years
Scheme equipment	10-15 years
Freehold office	50 years

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal process and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

Depreciation of intangible fixed assets

Intangible fixed assets are capitalised at the cost to the association. Amortisation is calculated on a straight-line basis over the course of 7 years, which is the expected useful life of the asset. Cost includes all expenditure related to preparing the asset for its intended use.

Capitalisation of development costs

Development administration costs based on the time spent on a scheme are capitalised up to the date of practical completion of that scheme. Only direct costs are included.

Major repairs

Where a repair involves replacement of property components, the expenditure is treated as capital expenditure and depreciated as outlined above. Any other replacement, renewal or repair to the fabric of an existing building that enhances the net income generated from the property or substantially increases its useful life is capitalised. All other repairs are treated as revenue items.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the association. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the association recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefits of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

Properties for sale

Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Provisions for liabilities

Provisions are recognised when the association has a present obligation (legal or constructive) as a result of a past event, it is probable that the association will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in income and expenditure in the period it arises.

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

Taxation

ISHA is a charitable Housing Associations and is not taxable on any surpluses derived from charitable activities.

Current tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date.

Donated land and other assets

Land and other assets donated by local authorities and other government sources are added to cost at the fair value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the difference between fair value and consideration paid is treated as a non-monetary government grant and recognised on the statement of financial position as deferred income within liabilities. Where the donation is from a non-public source, the value of the donation is included as income within operating surplus.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Particulars of turnover, cost of sales, operating costs and operating surplus - continuing activities

2021

	Note	Turnover	Cost of sales	Operating expenditure	Operating surplus
		£'000	£'000	£'000	£'000
Social housing lettings	3	19,354	-	19,775	(421)
Other social housing activities					
First tranche shared ownership sales		777	577	-	200
Development activities		-	-	736	(736)
Fees for development services		126	-	126	-
Management fees		541	-	279	262
Other		1,503	-	20	1,483
Activities other than Social Housing					
Commercial properties		944	-	626	318
Private renting		328	-	189	139
SUBTOTAL		23,573	577	21,751	1,245
Sale of properties and land		2,092	-	821	1,271
TOTAL		**25,665**	**577**	**22,572**	**2,516**

2020

	Note	Turnover	Cost of sales	Operating expenditure	Operating surplus
		£'000	£'000	£'000	£'000
Social housing lettings	3	18,311	-	16,827	1,484
Other social housing activities					
First tranche shared ownership sales		3,957	2,206	-	1,751
Development activities		-	-	410	(410)
Fees for development services		311	-	311	-
Management fees		493	-	333	160
Other		56	-	25	31
Activities other than Social Housing					
Commercial properties		1,153	-	661	492
Private renting		369	-	222	147
SUBTOTAL		24,650	2,206	18,789	3,655
Sale of properties and land		5,755	-	2,369	3,386
TOTAL		**30,405**	**2,206**	**21,158**	**7,041**

3. Particulars of Income and expenditure from social housing lettings

	Housing £'000	Supported Housing £'000	Shared Ownership £'000	2021 £'000	2020 £'000
Income					
Rents receivable net of identifiable service charges	12,368	566	2,239	15,173	14,359
Service charge income	1,675	288	784	2,747	2,511
Amortised government grant	1,434	-	-	1,434	1,441
Turnover from social housing lettings	**15,477**	**854**	**3,023**	**19,354**	**18,311**
Operating costs					
Service charge costs	2,528	274	746	3,548	4,180
Management	2,102	299	902	3,303	2,828
Routine maintenance	5,942	222	-	6,164	3,987
Planned maintenance	1,334	53	-	1,387	1,619
Major repairs expenditure	223	-	-	223	321
Bad debts	105	10	-	115	311
Depreciation of housing properties	4,614	104	317	5,035	3,581
Operating expenditure on social housing lettings	**16,849**	**962**	**1,965**	**19,776**	**16,827**
Operating (deficit) / surplus on social housing letting	**(1,372)**	**(108)**	**1,058**	**(422)**	**1,484**
Void losses	**(77)**	**(17)**	**(8)**	**(102)**	**(238)**

4 Key management personnel

The aggregate emoluments payable to the key management personnel (Senior Executive) is £491K (2020: £578K).

	2021 £'000	2020 £'000
Basic salaries	438	526
Pension contributions	53	52
	491	**578**

Remuneration payable to the highest paid director in relation to the period of account amounted to £106K (2020: £103K) excluding pension contributions.

Ruth Davison joined ISHA on 6 January 2019 as the Chief Executive of the association. She received remuneration for the year ending 31 March 2021 totalling £121K (2020 £116K). She is a member of the defined benefit pension scheme. The scheme was funded in line with the pension scheme guidelines of the association.

All permanent Senior Executives are members of the Social Housing Pension Scheme. They are ordinary members of the pension scheme with no enhanced or special terms. The Association did not make any further contributions to individual arrangements for its Senior Executives.

The full-time equivalent number of staff (including directors) who received remuneration in excess of £60,000 are as follows:

	2021 No.	2020 No.
£60,001 to £70,000	1	2
£70,001 to £80,000	4	2
£80,001 to £90,000	1	1
£90,001 to £100,000	-	-
£100,001 to £110,000	2	1
£110,001 to £120,000	1	1

Board members
None of the board members received emoluments (2020: nil).

5 Employee information

The average monthly number of persons employed by the association during the year expressed in full time equivalent of seven hours a day are as follows:

	2021 No	2020 No
Housing, development and administration staff	57	58
Estate officers	4	4
	61	**62**

Employee costs:

	2021 £'000	2020 £'000
Wages	2,412	2,357
Social security costs	259	251
Pension costs	397	382
	3,068	**2,990**

6 Operating surplus

The operating surplus for the year is arrived after charging:

	2021 £'000	2020 £'000
Depreciation:		
Housing properties	5,034	3,581
Other tangible fixed assets	263	210
Amortisation of intangible assets	36	37
Surplus on sale of properties and land	1,271	3,386
Auditors' remuneration (excluding VAT):		
- Audit of the financial statements of the association	34	33
Non-audit services – VAT advisory and Corporation tax compliance service	9	9

7. Interest and financing costs

	2021 £'000	2020 £'000
Defined benefit pension charge	25	68
Housing loans	4,220	4,390
Less: Capitalised interest	(681)	(572)
	3,564	**3,886**

Capitalised interest is based on a calculation of the average cost of borrowing incurred by the association during the financial year. This amounts to 3.64% (2020: 3.64%).

8. Tangible fixed assets

	Social Housing Properties Held for Letting	Shared Ownership Properties Completed	Properties under construction	Subtotal Housing properties	Freehold Office	Other Fixed Assets	Subtotal Other Fixed Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 1 April 2020	258,031	46,732	20,360	**325,123**	795	3,098	**3,893**	**329,016**
Additions	688	(160)	22,995	**23,523**	-	133	**133**	**23,656**
Reclassification	47	(83)	36	**-**	-	-	**-**	**-**
Interest capitalised	-	-	304	**304**	-	-	**-**	**304**
Disposals	(530)	(1,298)	-	**(1,828)**	-	-	**-**	**(1,828)**
Schemes completed	2,147	269	(2,416)	**-**	-	-	**-**	**-**
At 31 March 2021	260,383	45,460	41,279	**347,122**	795	3,231	**4,026**	**351,148**
Depreciation								
At 1 April 2020	41,028	1,720	-	**42,748**	258	2,314	**2,572**	**45,320**
Released on disposals	(354)	(34)	-	**(388)**	-	-	**-**	**(388)**
Reclassification	-	-	-					**-**
Charge for the year	4,717	317	-	**5,034**	15	263	**278**	**5,312**
At 31 March 2021	45,391	2,003	-	**47,394**	273	2,577	**2,850**	**50,244**
Net book value								
At 31 March 2021	214,992	43,457	41,279	**299,728**	522	654	**1,176**	**300,904**
At 31 March 2020	217,003	45,012	20,360	**282,375**	537	784	**1,321**	**283,696**

8. Tangible fixed assets (continued)
Expenditure in works to existing properties

	2021 £'000	2020 £'000
Components capitalised	632	918
Amounts charged to income and expenditure	7,774	5,927
	8,406	**6,845**

Social housing assistance

	2021 £'000	2020 £'000
Total accumulated social housing grant received or receivable as at 31 March:		
Recognised in the Statement of Comprehensive Income	1,435	1,180
Held as deferred income	131,145	128,551
Subsumed within reserves	20,356	19,176
	152,936	**148,907**

9 Investment properties: non-social housing properties held for letting

	2021 £'000
Capitalised at 1 April 2020	19,618
Increase in value	162
At 31 March 2021	**19,780**

The investment properties consist of commercial and market rent properties and were valued as at 31 March 2021. These were valued by Res-Prop Chartered Surveyors, external professional Valuers who are registered with the Royal Institute of Chartered Surveyors (RICS). The valuation was prepared on the basis of market value which complies with the Fair Value definition under part A, the definition adopted by the International Accounting Standards Board (IASB) in IFRS 13. Market Value, defined by VPS4 of the Red Book as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

For the valuation of these commercial properties, a rent capitalisation methodology was adopted (rent and yield approach) coupled with an assessment of what an owner occupier might pay to arrive at the fair value, with reference to respective rental and capital value market data/sentiment. The yield, capital value and rental data were obtained from commercial agents, auction sale data and commercial property databases.

The residential valuations were valued on an individual unit sale of a long leasehold interest with no onerous terms or ground rent. The valuation approach was based on the vacant possession value discounted to reflect the limitations to the market that the unit may be let. The valuation was also cross-checked on the gross yield basis using the passing rents provided.

10 Intangible assets

	2021 £'000
Cost	
At 1 April 2020	257
At 31 March 2021	257
Amortisation	
At 1 April 2020	128
Charge for the year	36
At 31 March 2021	164
Net book value	
At 31 March 2021	93
At 31 March 2020	129

Intangible assets consists of costs relating to the development of a Housing and Finance system which was implemented during 2016/17.

11 Properties for sale

	2021 £'000	2020 £'000
Shared Ownership Properties:		
Under construction	861	3,195
Completed properties	811	918
Social Housing Properties	-	-
Commercial Properties	905	658
	2,577	**4,771**

12 Debtors

	2021 £'000	2020 £'000
Rent and service charges receivable	1,072	1,078
Less: provision for bad and doubtful debts	(791)	(790)
	281	288
Social housing grant receivable	-	283
Other debtors	1,858	648
Owed by the subsidiary	-	-
Prepayments and accrued income	1,040	3,007
Other taxation and social security	-	-
	3,179	**4,226**

Included in the association's prepayments and accrued income is an amount of £406,000 (2020: £523,000) due after more than one year.

13 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Debt (Note 15)	3,546	3,471
Trade creditors	1,181	2,333
Rent and service charges received in advance	425	443
Amount due to subsidiary company	-	-
Recycled capital grant fund (Note 17)	395	892
Deferred grant income (Note 16)	1,462	1,429
Other taxation and social security	102	88
Other creditors	2,550	2,306
Accruals and Deferred Income	6,079	6,750
	15,740	**17,712**

Developers off site subsidy

The Association has received £3m in prior years from a private developer as part of a section 106 agreement. The purpose of this funding is to contribute towards the provision of affordable housing in Hackney. The income is recognised as other grant and recognised when the performance-related conditions are met. The income is deferred where the performance-related conditions have not yet been met. As £2.78m of this funding has now been allocated against the Barrett's Grove development, it will be recognised against the expenditure on a pro-rata basis as the development progresses. Barrett's Grove has now been given planning permission and this has enabled us to recognise £1.3m of Crown House income in this year (2020: £0m). At year end £1.7m of income was deferred (2020: £3.0m).

14 Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Debt (Note 15)	103,918	93,472
Loan stock	2	2
Recycled capital grant fund	860	1,036
Deferred grant income	129,683	127,121
	234,463	**221,631**

15 Debt Analysis

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

	2021 £'000	2020 £'000
Within one year or on demand	3,546	3,471
One year or more but less than two years	17,464	3,546
Two years or more but less than five years	10,700	9,605
Five years or more	75,754	80,321
	107,464	**96,943**

Security
Housing loans are from private lenders and in the main secured by specific charges on the association's housing properties.

Terms of repayment and interest rate
The portfolio has a mixture of fixed and variable rate loans at interest rates ranging from 0.37% to 9.94%. Included in housing loans is £14.0m (2020: £ nil) drawn from a revolving facility at a variable rate of interest. This facility is for £40m and is available until 2022. All other loans are long term borrowings.

16 Deferred grant income

	2021 £'000	2020 £'000
At 1 April	128,550	128,595
Movement in the year	4,028	1,396
Released to income in the year	(1,434)	(1,441)
TOTAL	**131,144**	**128,550**
Amounts to be released in one year	1,462	1,429
Amounts to be released in more than one year	129,682	127,121
TOTAL	**131,144**	**128,550**

17 Recycled Capital Grant Fund

	2021 £'000	2020 £'000
At 1 April	1,928	1,771
Grants recycled	-	87
Interest accrued	15	12
Staircasing	205	641
Utilised during the year	-	(500)
Repayment of grant	(893)	(83)
	1,255	**1,928**

Withdrawals from the recycled capital grant fund have been used for the purchase and development of new housing schemes.

18 Share capital

	2021 £	2020 £
Shares of £1 fully paid and issued	14	16
Shares issued during year	3	4
Shares cancelled	(2)	(6)
	15	**14**

Shares have limited rights and carry no entitlement to dividend. They are not repayable and do not carry rights to participate in a winding up. They carry an entitlement to vote at the association's general meeting.

19 Capital commitments

	2021 £'000	2020 £'000
At 1 April		
Expenditure contracted for but not provided in the accounts	14,119	29,178
Expenditure authorised by directors, but not contracted	13,404	5,266

Of the above expenditure contracted but not provided for, £1.3 million (2020: 5.6 million) is to be financed by SHG, £9.7 million (2020: 14.1 million) from shared ownership sales, and the remaining £3.1 million (2020: 9.5 million) is to be financed by existing cash resources and borrowings.

The expenditure of £13.4 million which has been authorised by the Board will be funded by grant of £4 million (2020: £2.9 million), £0.7 million (2020: £0.9 million) from shared ownership sales, and the remaining £8.7 million (2020: 1.5 million) from other income and loan finance. The above capital expenditure is expected to be incurred over the next five years.

20 Surplus on sale of fixed assets – housing properties

	2021 £'000	2020 £'000
Sales proceeds	2,092	5,755
Carrying value of fixed assets	(821)	(2,369)
	1,271	**3,386**

21 Accommodation in management and development

At the end of the year accommodation in management for each class of accommodation was as follows:

	2021 No	2020 No
Social Housing		
General housing:		
- social rent	1,588	1,588
- affordable rent	262	251
Supported housing & housing for older people	112	104
Intermediate rent	-	2
Shared ownership	369	367
Staff rental units	1	2
Total owned	2,332	2,314
Accommodation managed for others	19	19
	2,351	**2,333**
Non-social housing		
Private renting	18	18
Total owned and managed	**2,369**	**2,349**
Accommodation in development at the year end	151	165

The Association owns 36 units (2020: 37 units) which are managed on its behalf, under management agreements by other bodies.

The Association manages accommodation for London and Quadrant, a registered social landlord operating across London and the South East.

22 Related party disclosure

ISHA has three Resident Board Members. Their rents and tenancies are on normal commercial terms. Details of their charges and rent arrears at the 31 March 2021 were as follow:

	Rent and Service Charge £	Arrears 31 March 2021 £
Alice Powell	7,643	-
Daven Masri	4,349	-
Mohammed Baporia	2,964	-

23 Pensions

The company participates in the Social Housing Pension Scheme (SHPS), a multi-employer scheme. The Scheme is a defined benefit scheme in the UK. The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

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

For the year ended 31 March 2018, the SHPS obligation was being accounted for as a defined contribution as there was not sufficient information available to identify each employer's share of assets and liabilities of the scheme. Therefore, for 31 March 2018, the contributions payable from the association to the SHPS under the terms of its funding agreement for past deficits was recognised as a liability within other creditors in the association's financial statements.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme. The most recent formal actuarial valuation was completed at 30 September 2020 and rolled forward, allowing for the different financial assumptions under FRS 102, to 31 March 2020 by a qualified independent actuary.

Under the defined benefit pension accounting approach, the SHPS net deficit as at 1 April 2021 is £2,569k (2020: £1,174k)

Present Value of defined benefit obligation, fair value of assets and defined Benefit asset/(liability)

	2021 £'000	2020 £'000
Fair value of plan assets	10,812	9,514
Present value of defined benefit obligation	(13,381)	(10,688)
(Deficit) in plan	(2,569)	(1,174)
Net defined benefit asset (liability) to be recognised	**(2,569)**	**(1;174)**

Reconciliation of opening and closing balances of the defined benefit obligations

	2021 £'000
Defined benefit obligation at start of period	10,688
Current service cost	231
Expenses	9
Interest expense	255
Member contributions	-
Actuarial losses (gains) due to scheme experience	(163)
Actuarial losses (gains) due to changes in demographic assumptions	48
Actuarial losses (gains) due to changes in financial assumptions	2,514
Benefits paid and expenses	(201)
Defined benefit obligation at end of period	**13,381**

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

	2021 £'000
Fair value of plan assets at start of period	9,514
Interest income	230
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	764
Contributions by employer	505
Benefits paid and expenses	(201)
Fair value of plan assets at the end of period	**10,812**

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2020 to 31 March 2021 was £994,000.

Defined benefit costs recognised in statement of comprehensive income (SOCI)

	2021 £'000
Current service cost	231
Expenses	9
Net interest expense	25
Fair value of plan assets at the end of period	**265**

Defined benefit costs recognised in other statement of comprehensive income

	2021 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	764
Experience gains and losses arising on the plan liabilities - gain (loss)	163
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(48)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(2,514)
Total amount recognised in Other Comprehensive Income - gain	**(1,635)**

Assets

	2021 £'000	2020 £'000
Global Equity	1,723	1,391
Absolute Return	597	496
Distressed Opportunities	312	183
Credit Relative Value	340	261
Alternative Risk Premia	407	665
Fund of Hedge Funds	1	6
Emerging Markets Debt	436	288
Risk Sharing	394	321
Insurance-Linked Securities	260	292
Property	225	210
Infrastructure	721	708
Private Debt	258	192
Opportunistic Illiquid Credit	275	230
High Yield	324	-
Opportunistic Credit	296	-
Corporate Bond Fund	639	542
Liquid Credit	129	4
Long Lease Property	212	165
Secured Income	450	361
Liability Driven Investment	2,747	3,158
Net Current Assets	66	41
Total assets	**10,812**	**9,514**

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

Key assumptions

	31 March 2021 % per annum	31 March 2020 % per annum
Discount Rate	2.18%	2.38%
Inflation (RPI)	3.27%	2.62%
Inflation (CPI)	2.87%	1.62%
Salary Growth	3.87%	2.62%
Allowance for commutation of pension for cash at retirement	75%*	75%*

* of maximum allowance

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

	Life expectancy at age 65 (Years)
Male retiring in 2021	21.6
Female retiring in 2021	23.5
Male retiring in 2041	22.9
Female retiring in 2041	25.1

24 Provisions for liabilities – other provisions

	2021 £'000	2020 £'000
At 1 April 2020	2,433	2,382
Additions	-	51
Released	(1,652)	-
At 31 March 2021	**781**	**2,433**

The balance at 1 April 2020 includes £730K repairs provision relating to ISHA's contributions to the remedial works for three blocks following fire safety inspections as required by the Government as a result of the Grenfell fire. The addition (£51K) in 2020 relates to a potential liability that could materialise at the end of a managing agent contract.

25 Financial assets and liabilities

Categories of financial assets and financial liabilities

	2021 £'000	2020 £'000
Financial assets that are debt instruments measured at amortised cost		
Other debtors	**3,179**	**4,226**
Financial liabilities measured at amortised cost		
Loans (Note15)	107,464	96,943
Trade and other creditors	146,087	146,007
	253,551	**242,950**

Financial liabilities include all creditors and loan amounts payable.

Financial assets
Other than short-term debtors, financial assets held are cash deposits placed on term deposits and cash at bank. They are sterling denominated and the interest rate profile at 31 March was:

	2021 £'000	2020 £'000
Floating rate on money market deposits	6,190	11,366
Financial assets on which no interest is paid	2,703	3,522
	8,893	**14,888**

Financial liabilities excluding trade creditors – interest rate risk profile

The Association's financial liabilities are sterling denominated. The interest rate profile of the association's financial liabilities at 31 March was:

	2021 £'000	2020 £'000
Fixed rate	78,929	81,256
Floating rate	28,535	15,372
	107,464	**96,628**

The floating rate financial liabilities comprise bank loans that bear interest based on LIBOR and RPI. The fixed rate financial liabilities have a weighted average interest rate of 4.2% (2020: 4.1%) and the weighted average period for which it is fixed is 20 years (2020: 20 years).

The debt maturity profile is shown in note 15.

Borrowing facilities

The Association has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent have been met were as follows:

	2021 £'000	2020 £'000
Expiring in more than two years	41,000	41,000

£14m of the facilities available has been utilised as at 31 March 2021 (2020: nil)

26 Leasing Commitments

The total future minimum lease payments are as set out below. Leases relate to photocopiers. The Association's future minimum operating lease payments are as follows:

	2021 £'000	2020 £'000
Within one year	5	5
Between two and five years	4	9
	9	**14**

27 Net debt analysis

Analysis of changes in net debt

	At 1 April 2020	Cash flows	Other non-cash changes	At 31 March 2021
Cash and cash equivalents				
Cash	15,001	(6,074)	-	**8,927**
Overdrafts	(113)	79	-	**(34)**
Cash equivalents				
	14,888	(5,995)	-	**8,893**
Borrowings				
Debt due within one year	(3,471)	(75)	-	**(3,546)**
Debt due after one year	(93,472)	(10,446)		**(103,918)**
Total	(96,943)	(10,521)	-	**(107,464)**
Total	(82,055)	(16,516)	-	**(98,571)**

28 Contingent liability

A long-term contract for the provision of a repairs service by MPS Housing Limited (MPS) ended during the year ended 31 March 2021. MPS subsequently submitted a final account for payment of £3.59m. £2.43m of this final account had already been through an adjudication process and MPS is now requesting the £2.43m jobs to be re-adjudicated plus additional £1.16m of other repair jobs. The earlier decision of the Adjudicator of the £2.43m repair jobs had resulted in the Association already paying £0.50m. All the £3.59m repair jobs are now going through adjudication again.
The accounts submitted by MPS have been subsequently reviewed by quantum experts. The quantum experts have advised that taking into account the Adjudicator's earlier decision, their detailed review and the recharges due to the Association from MPS, that no further payment is due to MPS. However, the outcome of the adjudication cannot be precisely estimated.