

Company number: L0284



Financial Statements
For the year ending 31 March 2020

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Cotman Housing Association Limited
Board of Management, Executives and Advisers
For the year ending 31 March 2020

Board of Management

J Brighton	(Chair)
N Hopkins	
J O'Byrne	
S Ringwood	(Appointed 1 April 2019)
N Wilson	
C Cox	(Resigned 2 September 2019)
P Egan	(Resigned 13 November 2019)
J Warnes	(Resigned 1 January 2020)
D Marriott-Lavery	(Appointed 12 November 2019)

Company Secretary C Martin

Registered Office

80 Cheapside
London
EC2V 6EE

Bankers

Barclays Bank Plc
38 Fishergate
Preston
PR1 2AD

Registered Auditors

KPMG LLP
15 Canada Square
London
E14 5GL

Registration of Company

Cotman Housing Association is a non-profit making housing association and a registered society with charitable status under the Co-operative and Community Benefit Societies Act 2014 (Registered number 19473R) and is registered under the Housing Act (Registered number L0284). It is also affiliated to the National Housing Federation.

Cotman Housing Association Limited
Report of the Board
For the year ending 31 March 2020

The Cotman Board presents its report and audited financial statements for the year ended 31 March 2020.

THE BUSINESS MODEL

Cotman Housing Association ('the Association') is a non-profit making housing association and a registered society with charitable status under the Co-operative and Community Benefit Societies Act 2014 (Registered number 19473R). The Association was founded in 1970 and registered by the former Housing Corporation in 1975.

The Association is a subsidiary of the Places for People Group (the "Group") and undertakes its activities in accordance with the terms and conditions of an Independence and Responsibilities Agreement.

The Association also meets housing needs through the supply of shared ownership and leasehold accommodation for sale. It offers an agency managed service to other not for profit organisations. It delivers projects which add social value to people living in the wider community, regardless of housing tenure.

At 31 March 2020, 37 staff (28 full time equivalent) were directly employed (excluding directors). No agency staff were employed.

STATEMENT OF PURPOSE

The Statement of Purpose of the Association is 'Meeting Needs to Create Strong Communities'.

The Association's staff actively exhibit Places for People's SPIRIT values. The SPIRIT values help to define what we stand for and how we deliver our services. They support and engage everyone who works at Cotman to achieve our vision:

SUPPORT – Always there to help customers and colleagues.

POSITIVE – A "can do" attitude, encouraging others to achieve.

INTEGRITY – Always delivering on promises; being open and honest.

RESPECT – Treating people fairly and with understanding.

INNOVATIVE – Open to new ideas, not afraid of failure.

TOGETHER – Believing more can be achieved by working well with others.

THE EXTERNAL OPERATING ENVIRONMENT

The Association's former Managing Director, Jane Warnes, resigned her Board position on 1 January 2020 and her employment ended on 17 January 2020. The decision was taken not to advertise the vacant post. Instead, collaborative working with support from another Group subsidiary Chorus Homes was implemented, with Nigel Finney, Managing Director of Chorus Homes, taking on an additional role of Interim Managing Director of Cotman Housing.

As key objectives of its business plan, Cotman committed to deliver the following by the end of financial year 2019/20:

- 7 new units at Great Yarmouth and 12 new units at Old Buckenham
- Achievement of our key performance objectives and financial targets
- Our Sport England milestones and volumes
- Opportunities for customers to influence our service delivery through a wide menu of activities, with outcomes measured and documented
- A channel shift from a telephone based service to an increasingly digital platform
- Sprinkler systems at Dukes Palace Wharf, Norwich and Glenwood Court, Norwich

These objectives were largely achieved, with some continuing into 2020/21 to allow them to come to fruition.

In January 2020, a lack of adherence to policy and procedure covering domestic and commercial gas safety, and the inspection and certification of domestic and communal electrical installations and asbestos in communal areas, were found and swiftly addressed. A new management and monitoring regime was implemented to oversee these operations. There were no failures found in the systems and procedures governing other areas of compliance. The Cotman Board received a report on these matters in May 2020.

In view of this, a policy and procedure review is scheduled to take place once normal business operations resume following the lifting of Covid-19 lockdown restrictions. In the meantime, an added level of scrutiny is in place on day-to day operations through the new management and monitoring regime.

OPERATIONAL HIGHLIGHTS DURING 2019/20

Celebrating our Good Neighbours

At the last Places for People Good Neighbour Awards, ten Cotman residents were nominated and received awards for their exceptional community-spirited efforts. The event provided a fine opportunity for Cotman to thank those making great contributions to our neighbourhoods.

Customer Involvement

Cotman maintained its strong customer involvement focus in a number of ways. "Cotman in Bloom" was introduced to celebrate residents who have fantastic gardens. Customer Open Days were held in Clacton, Bowthorpe, and Stalham. There was representation from Cotman customers at the National Customer Steering Group. Also, Customer Ambassadors were appointed who helped improve and shape the People First customer involvement model.

Developing Links within the Group

Places for People companies continued to deliver responsive repairs services and works in our empty homes. Cleaning and gardening services were similarly provided by Group companies, enabling Cotman to work with contractors who share the SPIRIT values.

Cotman worked closely with the Group's Income Recovery Centre to support customers to sustain their tenancies and help manage their rent accounts. This resulted in an improved rent collection performance of 100% for 2019/20.

We have maintained a great working relationship with Places Leisure centres locally, especially the Riverside Centre in Norwich, to deliver our three Sport England projects.

Improving Fire Safety in Our Homes

Through the Group, Cotman has benefited from access to national expertise and cross-landlord collaboration in respect of fire safety. Following the tragic fire at Grenfell Tower, we started an ongoing programme of Fire Risk Assessment (FRA) activities. This includes the Group's commitment to installing sprinkler systems in all blocks of six storeys or above. As a result, in Cotman's Norwich property which meets this criterion, a sprinkler system is now fully operational.

Maintaining our Homes

Investing in properties so that customers enjoy well-maintained comfortable homes is vital to Cotman. A wide range of planned improvements with our asset management programme were delivered during 2019/20. This included new kitchens and bathrooms at 59 homes in Bowthorpe, redecoration of 90 homes in Norwich, and new kitchens in 22 homes in Clacton.

DEVELOPMENT AND CONSTRUCTION

Cotman is proud to continue to meet housing needs across East Anglia. Collaborative working with Places for People Developments resulted in new homes at Little Melton, Old Buckenham, and Great Yarmouth. Cotman is also now delivering housing management services to 233 Sage Housing customers.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the organisation are shown in the table below.

Actions taken to mitigate these risks and uncertainties are outlined in Cotman's three-year Business Plan, and updates are provided to Board in the reports of the Interim Managing Director, as well as in Cotman's Risk Register.

Cotman Housing Association Limited
 Report of the Board
 For the year ending 31 March 2020

RISK	MITIGATIONS
Health and safety failure resulting in reputational, regulatory, financial, legal and other risk.	Strong focus on working together across all Places for People Property Management companies to drive performance improvement. Regular compliance reporting to the Cotman Board, the Group Regulated Board and the H&S Compliance and Strategy Board. H&S Action Plan developed and reported on following the annual H&S audit. Technically competent staff, regular H&S updates via H&S Tracker and online training. Alternate monthly Cotman Management Team dedicated to Health, Safety and Wellbeing. Staff Health and Wellbeing Group.
Reduced income due to universal credit roll-out negatively impacting PRA and P&L profits	Effective partnership working with the Places for People Group's Income Recovery Centre (IRC) to ensure budget targets for rent collection and arrears are met. Utilise the local Cotman team to assist customers in securing Discretionary Housing and Homeless Prevention Payments. Rigorous affordability assessments for new tenants to ensure tenancy sustainability and targets for collection of payments at sign-up.
Reduction in performance levels, negatively impacting financial targets	Strong operational processes, Project Board approach, competent and committed staff, transparency through access to Group reporting and data platforms.
Properties become hard to let as a result of external factors, such as isolation, changes to sheltered housing services, increased market place competition from PRS.	East Anglia is economically buoyant and demand for product remains high. Positioning ourselves as a landlord of choice through effective marketing. Disposal of isolated stock is routinely considered at void stage and options appraisals carried out.
Weakened staff resilience and morale as a result of reduction in headcount and increased workloads	SPIRIT framework, focus on wellbeing, team-working and access to tools such as intranet resources, and Employee Care.
<p>The coronavirus (Covid-19) outbreak — officially declared a global pandemic by the World Health Organisation on 11 March 2020 — has prompted much of the world to impose lockdown measures, which have severely restricted economic activity. There is an unprecedented level of uncertainty in world markets and a lack of a consensus view of the path of Covid-19. The Places for People Group has identified three key risks areas.</p> <p>Liquidity: A reduction in rents collected from residents unable to work or local authorities failing to pay housing benefits in full and/or on time; a reduction in revenues; and a reduction in the volume and value of new home sales could put pressure on the Group's ability to meet its obligations.</p> <p>Health and Safety: Protecting our workforce, in particular those classed as 'key workers', and customers, in particular our most vulnerable customers, during the outbreak is a key focus. If this is not achieved, there could be considerable social and economic costs resulting from staff becoming ill with Covid-19 or self-isolating, risking staff shortages and the inability of the Group to deliver services as required.</p> <p>Business continuity: A lack of an available and suitably protected workforce, contractors, or essential components could lead to an inability to deliver key services.</p>	<p>A Places for People Group ("Group") Covid-19 committee meets on a daily basis to review the ongoing situation and its impacts on the business, our customers and our colleagues. This committee ensures we are reacting quickly to changes as they arise and provides regular clear communications to our customers and colleagues. A Taskforce has been formed to keep in touch with all vulnerable customers to provide them with advice, information and to provide any assistance required to access essential goods and services.</p> <p>The Group continued to attend to all emergency repairs and provide support to our most vulnerable customers during the early phases of Covid-19 lockdown restrictions. It resumed the delivery of non-emergency repairs and maintenance as restrictions were relaxed</p> <p>A procurement review has been undertaken to allow us to access alternative suppliers and contractors to ensure continuity in our service provision, including the procurement of PPE for our colleagues and customers.</p> <p>Colleagues have access to information and support using our Employee Assistance Programme, covering not just Covid-19 concerns but also providing mental health and wellbeing support throughout this period of uncertainty.</p> <p>As part of our liquidity risk mitigation the Group undertakes challenging stress testing to provide confidence in our ability to withstand significant reductions in income. The testing has shown that if the Group were to have no sales or rental income for six months the liquidity position would still be sufficient to meet the Treasury Policy of at least 12 months' forward funding. This testing ensured we were in a strong position going into the Covid-19 pandemic and, while we continue to monitor the situation as it evolves, we are able to meet all obligations as they fall due even in severe scenarios. Cotman Housing is part of the Guarantor Group and can access funding from this Group pool, therefore the liquidity risk management approach for the Group is relevant for Cotman Housing.</p> <p>The risks identified and mitigating actions in place in respect of the current Covid-19 outbreak are considered to apply in the event of subsequent waves of Covid-19 or to any similar pandemics threatening health and economic activity in the future.</p>

Cotman Housing Association Limited
Report of the Board
For the year ending 31 March 2020

SOCIAL AND COMMUNITY COHESION ACTIVITIES/CORPORATE SOCIAL RESPONSIBILITY

Cotman runs a variety of different initiatives that seek to deliver benefits to people and their communities. Here are a few brief highlights from 2019/20:

- In July 2019, Cotman nominated and voted on potential local charities to support for the year. EACH, East Anglia's Children's Hospices were chosen as the staff charity. Through a variety of fundraising activities led by the Wellbeing Team, over £300 has been raised for EACH.
- Cotman continued its support of young people by offering work experience via MINT Norwich, which supports young people in overcoming barriers to employment. Cotman hosted three work placements during the year, providing valuable experience and skills to those taking part to help them take their first steps into sustainable and paid employment.
- Cotman is a dementia-friendly company and it continued its support of those living with dementia. Staff and Board members undertook dementia friends' awareness training. Cotman is a founder member of Norwich Dementia Action Alliance and has worked to make Norwich a dementia-friendly city, taking part in various activities during Dementia Action Alliance Week.
- Cotman in partnership with Sport England has continued to run a range of projects to help residents to be physically active and to assist them settling in to new accommodation.

FINANCING ARRANGEMENTS

Places for People's Treasury team is responsible for overseeing Cotman's loans, banking arrangements and cash. It has therefore adopted the Places for People Group Treasury Policy Statement and Treasury Management Practices.

At 31 March 2020, Cotman reported a £10.58m liquidity balance (cash balance £0.93m and £9.65m deposit with Treasury). The inter-company loan facility, together with the liquidity position, will ensure funds continue to be available to manage the medium-term cash requirements. Excess cash reserves are invested in accordance with short, medium and long-term goals, and only once any internal on-lending has been repaid. There have been no new investments.

Cotman had seven loans outstanding at the financial year end:

- Lloyds Bank (3) £14.7m
- THFC £1.5m
- Fresh Plc. £2.1m
- Places for People Homes £15.0m
- HBOS £1.2m

Cotman maintains a comprehensive Asset and Liabilities Register, which records all assets of the Group, together with the liabilities that may put those assets at risk. The register allows it to understand its housing assets and security position, so that swift access to this information in relation to decision making and risk management is available. The information is accurate and up to date. Social housing assets are clearly identified, as are liabilities that may have a negative impact on these assets. Key information and records are readily available at all times, including details of treasury arrangements, key contracts, title information and restrictions, valuations, stock condition and lender covenants.

FINANCIAL PERFORMANCE 2019/20

The Cotman Board reports a profit before taxation of £6.2m (2019: £5.9m).

Turnover for the year ended 31 March 2020 was £17.7m (2019: £17.1m), representing a £0.6m (4%) increase compared to last year. Turnover from Social Housing activities was £17.5m for the year ended 31 March 2020 (2019: £16.9m). Operating costs for the year were £10.5m (2019: £10.2m), the operating margin for the year ended 31 March 2020 was 39.7%. . The Association has a net asset position as at 31 March 2020 of £46.8m (2019: £40.2m).

VALUE FOR MONEY

Cotman's value for money strategy is closely aligned to that of its parent company, Places for People Group, who participate in the Sector Scorecard affordable housing benchmarking group. This has provided data so the Group can be compared to the wider sector. As such, this value for money information appropriate to Cotman can be found in the Places for People Group financial statements that can be obtained from its registered office at 80 Cheapside, London, EC2V 6EE, or via its website.

Cotman Housing Association Limited
Report of the Board
For the year ending 31 March 2020

THE BOARD AND COMMITTEES

Within the boundaries and scope of its Independence and Responsibilities Agreement with Places for People Group, the affairs of Cotman Housing Association are directed by the Board of Management. Under the direction of the Board of Management the Association is managed by the Interim Managing Director. The Board of Management of the Association are listed on page 2.

The Group has an Audit & Risk Committee, a Remuneration Committee, a Nominations & Governance Committee, a Development, Investment & Regeneration Committee and a Treasury Committee. The remit of those committees extends to the Association and its business. The committees draw members from and report to the Group Board and there are members (non-executive and executive) of the Group Board who are also members of the board of the Association, ensuring that information from the committees reaches the Association's board.

Places for People's Remuneration Committee sets the policy for pay for members of Cotman Board. It approves any pay increases, bonus arrangements, long-term incentive arrangements and pension arrangements for executive directors.

Places for People's Audit & Risk Committee reviews the strategic risks faced by the wider Group and the approach taken by management in relation to managing risk. Operational risk is reviewed and managed by the Board of Cotman, and the Association's risk register is reviewed at regular intervals.

Places for People's Nominations & Governance Committee reviews governance arrangements, and makes recommendations to Places for People Group Board on changes required, including recruitment and selection of subsidiary board members.

Places for People's Treasury Committee oversees all Group treasury activity and is authorised by the Cotman Board to take decisions on its behalf in connection with treasury transactions. The Cotman Board receives regular reports on treasury management and covenant compliance throughout the year.

(i) TIMING AND FREQUENCY OF MEETINGS

The Cotman Board met four times during 2019/20. An additional board strategy day was also held. The format of agenda, papers, minutes and all other relevant forms of communications has been kept under regular review, with updating taking place in presentation and format during the year. The Board has deemed these to be fit for purpose.

(ii) ATTENDANCE AT BOARD MEETINGS

A good record of attendance at meetings and events is an important aspect of being an effective Board member at Cotman. The Board demonstrated a strong record of commitment in 2019/20, with an attendance rate of 93%.

(iii) INTERNAL CONTROLS

Cotman provided positive statements to the Places for People Group Board on the adequacy of its operating policies, and the adequacy of its system of internal controls. At its meeting of 12 May 2020, the Board noted that internal control had been adequate to provide reasonable assurance on effective and efficient operations, financial control and compliance with laws and regulations, although this was caveated by certain matters relating to gas and electrical compliance, outlined elsewhere in the report.

(iv) RISK MANAGEMENT

Cotman adheres to Places for People's Risk Management Framework. Under this Framework, Places for People Group's Board has ultimate responsibility for ensuring effective risk management within the Group. The Group's Audit & Risk Committee considers and advises the Places for People Group Board on the strategic risk processes and policies for risk and control. The Committee receives and reviews reports from Group Business Assurance on a regular basis, some of which cover the operations of Cotman. The Business Plan sets out the risks that might prevent achievement of the objectives within it, as well as the controls and actions in place to mitigate those risks.

From a business assurance perspective, Cotman is subject to Places for People's internal audit programme, and has adopted Places for People's risk management software, *OpRiskControl*, to monitor and mitigate risks.

(v) CULTURE OF CONTROL

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

- control confirmations provided by the Interim Managing Director and supported by key performance indicators;
- internal audit reports prepared according to an agreed plan over an annual cycle;
- external auditors' management letters;
- compliance reports issued by the Regulator of Social Housing (RSH) and other regulatory bodies, via Places for People Group as the regulated body;
- External validation and assurance, provided by independent third parties.

(vi) FRAUD

Any fraudulent activity is reported to the Places for People Audit & Risk Committee. The Annual Fraud Report of the Group to the RSH is reviewed and signed off by Board.

(vii) BUSINESS PLANNING

Places for People's Central Finance team agrees the annual budget with Cotman's Interim Managing Director. Places for People Group Management Team reviews Cotman's Business Plan, from the development stage to the draft stage. It is then provided to Cotman's Board for review and approval before being consolidated with all Group subsidiary plans to form the Group Business Plan. The Interim Managing Director reports to each Board meeting on Business Plan performance. The Board also receives reports at each scheduled meeting on key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

Cotman Housing Association Limited
Report of the Board
For the year ending 31 March 2020

CODE OF GOVERNANCE

The Association has adopted the National Housing Federation's code of practice on governance "Promoting Board Excellence for Housing Associations (2015)". The Association complies with the code in all respects. This was most recently validated by the Board on 12 May 2020.

COMPLIANCE WITH REGULATOR OF SOCIAL HOUSING GOVERNANCE AND FINANCIAL VIABILITY STANDARD

The Association complies with the Governance and Financial Viability Standard.

Places for People Group's most recent judgement of G1/V1 was awarded on 24 April 2019, and was unchanged from the previous assessment. Places for People Group Board has confirmed that it is compliant with the Governance and Financial Viability Standard.

ASSETS AND LIABILITIES REGISTER

Cotman maintains an Assets and Liabilities Register that is compliant with regulatory requirements.

EMPLOYEES

Cotman is committed to maintaining best practice in communicating with staff on its objectives, on managing and monitoring progress, and ensuring organisational integrity. It regularly involves staff in processes of consultation and information sharing on matters of common concern, through regular online opinion surveys. Opportunities to ask any reasonable questions in an open forum at staff briefings and regular staff liaison forums are provided.

Cotman will always consider applications from potential job applicants with a disability and will interview any applicant who meets the essential requirements of the person specification. If a disabled job applicant is successful in gaining employment, all reasonable endeavours will be made to ensure that the applicant is integrated into the workforce. If a disabled applicant is successful, any special training or equipment needs will be explored with the candidate after the offer letter is sent, including the provision of adapted equipment and change to working methods to help meet their needs. Wherever practicable, suitable access for staff with disabilities will be provided throughout all work places, along with a programme to ensure existing arrangements are improved, where necessary. Cotman will, wherever possible, ensure that the services of any existing employee who becomes disabled are retained within his or her existing post. If this does not prove to be possible, suitable alternative opportunities will be researched in order to attempt to retain their services.

EQUALITY AND DIVERSITY

Cotman is committed to equal opportunities for all our tenants, employees and stakeholders and promotes this in various practical ways in the operation of the business.

GENDER PAY

Places for People reports on gender pay across the Group, as well as fulfilling its statutory requirements to report on its individual companies that have 250 or more employees. As such, gender pay information can be found in the Group financial statements that can be obtained from the Group's registered office at 80 Cheapside, London, EC2V 6EE, or via its website.

MODERN SLAVERY ACT 2015

Cotman is required to publish an annual statement for the purposes of the Modern Slavery Act 2015. Cotman is completely opposed to modern slavery practices and it is committed to ensuring that those practices are not taking place in any part of its own business nor, as far as the position can be controlled, in its supply chain. Cotman has adopted Places for People Group's statement, and a link to this is available on the homepage of our website.

ANNUAL GENERAL MEETING DATE

The Annual General Meeting will be held on 21 September 2020 at 80 Cheapside, London, EC2V 6EE.

STATEMENT OF BOARD'S RESPONSIBILITIES IN RESPECT OF THE BOARD'S REPORT AND THE FINANCIAL STATEMENTS

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

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

Cotman Housing Association Limited
Report of the Board
For the year ending 31 March 2020

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

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

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

DISCLOSURE OF INFORMATION TO AUDITOR

In the case of each of the persons who are Board members of the Association at the date when this report was approved:

- so far as each of the Board members is aware, there is no relevant audit information of which the Association's auditor is unaware; and
- each of the Board members has taken all the steps that ought to have taken as a Board Member in order to be aware of any information needed by the Association's auditor in connection with preparing its report and to establish that the Association's auditor is aware of that information.

A resolution to re-appoint KPMG will be proposed at the next Annual General Meeting.

Under S414c(ii) of the Companies Act 2006, information relating to financial risk management objectives and policies, and future developments, is included in the Report.

REMUNERATION REPORT

Places for People's Remuneration Committee is responsible for recommending the salary and terms for the Interim Managing Director to the Group Board. The Interim Managing Director is a member of the Cambridgeshire County Council Pension Scheme, which is a defined benefit final salary pension scheme, and participates in the scheme on the same terms as all other eligible staff. Details of the remuneration of the Managing Director are included in note 9 to the Financial Statements.

PAYMENTS TO BOARD MEMBERS

All non-executive Board members receive a payment in recognition of the contribution they make to the work of the Association. Payments made to members in 2019/20 were as follows:

Chair: £8,910.

Non-executive, independent members: £11,881 in total.

GOING CONCERN

The going concern assessment considers whether it is appropriate to prepare the financial statements on a going concern basis. The global Covid-19 pandemic has introduced significant levels of uncertainty into most businesses. The Cotman Board has paid close attention to the evolving situation and taken note of the potential for mitigating actions identified across the Group and the resilience that is provided by Group membership. The Cotman Board has assessed the going concern in light of the risks and mitigations.

At 31 March 2020 the Places for People Group (Group) had cash and undrawn facilities of £918.3m. The Group continues to actively manage its cash flows in order to mitigate any reductions in income.

The Group has reviewed all of its business forecasts and projections and has produced a revised business plan for the year ending 31 March 2021. Although the full impact of Covid-19 is still unknown, the Group has produced its forecasts on the latest information and experience in the markets in which it operates. In addition to the reviewed forecasts, the Board members have also undertaken stress testing on these forecasts to understand the impact of an increasing severity of the implications from the pandemic.

Cotman Housing Association Limited
Report of the Board
For the year ending 31 March 2020

The Board members have reviewed the projected cash flows and the compliance with debt covenants of the Group and have overlaid a number of scenarios reflecting the potential impact of the Covid-19 pandemic. These scenarios include a 10% reduction in rent received for 12 months and a 5% reduction in rent for the following 12 months, no property sales for the remainder of the year with a 20% price reduction for the following 12 months and leisure centres to remain closed until 31 March 2021 with a phased re-opening over the following 12 months. As a result of these assumptions, and before any cost reductions are applied, management believe the liquidity of the Group at 31 March 2021 would be £566m and £346m at 31 March 2022 if the Group did not raise any additional finance to that which is currently available.

Cotman Housing Association is part of the Guarantor Group and accesses funding from this Group pool, therefore the liquidity position of the Group supports the going concern assumption for the association.

On the basis described above, the Board members consider it appropriate to adopt the going concern basis in preparing the financial statements.

VIABILITY

The UK Corporate Governance Code requires the directors to make a statement with regard to the viability of the Group and Association. This requires consideration of solvency and liquidity over a longer period than the going concern assessment. The Group's strategic plan covers a 10-year period, over which the directors have made assumptions regarding revenues, operating costs and cash requirements.

The projections for the first three years of the plan are based on current opportunities and include an expectation of the rental incomes. There is inherently less certainty in the projections from years four to 10. Consistent with prior years, the directors have therefore determined that three years is an appropriate period for this viability statement.

In assessing prospects and resilience, the management produced projections which considered the current business position and risk appetite. Despite the rent reductions imposed by the Government on social housing rents which came to an end in 2020, the Group has continued to undertake rigorous single and multi-variate stress testing exercises on its projections, which have included considering the impact of challenging economic conditions including a downturn in the housing market. The results confirmed that the Group and Association would continue to be able to settle projected liabilities as they fall due over a three-year period.

This year, the directors have also considered specifically the impact of the Covid-19 pandemic. This is considered a principal risk as set out on page 5 and, given the more immediate nature of the situation, has been considered in more detail within the shorter term going concern considerations above. While the impacts of Covid-19 may well be felt in the longer as well as the shorter term, the prospects of economic recovery taking place after the severe economic shock modelled in the going concern assessment period is complete, are considered strong. The directors have considered several different severe yet plausible scenarios including potentially challenging outcomes such as considerable reductions in turnover. The directors also considered additional impacts, such as restrictions in supply chains, and were satisfied that measures were in place to mitigate significant risks to the Group's operations. The stress testing again demonstrated the ability of the Group to continue to operate effectively.

Having assessed the prospects of the Group and Association, including the current funding, forecast requirements, existing committed borrowing facilities and the principal risks as outlined on page 5 of the Directors' Report, the directors have a reasonable expectation that the Group and Association will be able to continue in operation and meet its liabilities as they fall due over the period to March 2023.

In making this statement the directors understand that there is inherent uncertainty in all business planning and therefore as a result it is not possible to take into account every risk and eventuality that the Group may face. The Board is satisfied that the stress testing that is performed on the business plan includes all of the major risks that the Group and Association may face and therefore provides strong assurance of the Group's financial viability.

STRATEGIC REPORT

Cotman Housing Association has taken the exemption allowed in the statement of recommended practice for registered social housing providers to not include a strategic report as this is prepared for the Places for People Group and is included in the annual report which is available to the public and may be obtained from Places for People Group Limited, 80 Cheapside, London, EC2V 6EE

The report of the Board was approved on 5 August 2020 and signed on its behalf by



Jon Brighton
Chair

Cotman Housing Association Limited
Report of the Independent Auditor
For the year ending 31 March 2020

Independent auditor's report to the members of Cotman Housing Association Limited only

Opinion

We have audited the financial statements of Cotman Housing Association ("the association") for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the association as at 31 March 2020 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the association's business model and analysed how those risks might affect the association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the association will continue in operation.

Other information

The association's Board is responsible for the other information, which comprises the Board's Annual Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Cotman Housing Association Limited
Report of the Independent Auditor
For the year ending 31 March 2020

Board's responsibilities

As more fully explained in their statement set out on page 8, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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



Harry Mears

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square,

Canary Wharf,

London

E14 5GL

19 August 2020

Cotman Housing Association Limited
Statement of Comprehensive Income
For the year ending 31 March 2020

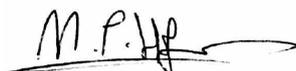
	Notes	2020 £'000	2019 £'000
Turnover	2	17,738	17,069
Cost of sales	2	(320)	-
Operating costs	2	(10,485)	(10,232)
Surplus/(loss) on sale of fixed assets	4	165	(60)
(Loss)/gain on revaluation of investment properties	12	(64)	3
Operating surplus before interest	2	7,034	6,780
Interest receivable and similar income	5	49	21
Interest payable and similar charges	6	(888)	(945)
Surplus on ordinary activities before and after taxation		6,195	5,856
Initial recognition of multi-employer defined benefit scheme	20	-	(322)
Actuarial loss recognised in the pension scheme	20	-	(3)
Actuarial gain recognised in the pension scheme	20	460	-
Total comprehensive income for the year		6,655	5,531

The notes on pages 16 to 33 form an integral part of these financial statements.

The financial statements on pages 13 to 33 were approved by the Board of Directors on 5 August 2020, and signed on its behalf by:



J Brighton
Chair



N Hopkins
Non-Executive Director



C Martin
Company Secretary

Cotman Housing Association Limited
Statement of Financial Position
At 31 March 2020

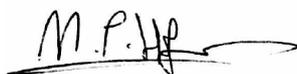
	Notes	2020 £'000	2019 £'000
Fixed assets			
Housing properties	11	95,491	93,394
Fixed asset investments	12	206	270
Other tangible fixed assets	13	646	650
		<u>96,343</u>	<u>94,314</u>
Current assets			
Stock	14	196	-
Debtors	15	1,589	2,944
Cash at bank and in hand		10,576	7,061
		<u>12,361</u>	<u>10,005</u>
Creditors - amounts falling due within one year	16	(4,148)	(4,564)
Net current assets		8,213	5,441
Non-current liabilities			
Creditors - amounts falling due after more than one year	17	(57,205)	(58,480)
Pension liability	20	(488)	(1,067)
Net Assets		<u>46,863</u>	<u>40,208</u>
Capital and Reserves			
Revenue reserves		<u>46,863</u>	40,208
Total capital and reserves		<u>46,863</u>	<u>40,208</u>

The notes on pages 16 to 33 form an integral part of these financial statements.

The financial statements on pages 13 to 33 were approved by the Board of Directors on 5 August 2020, and signed on its behalf by:



J Brighton
Chair



N Hopkins
Non-Executive Director



C Martin
Company Secretary

Cotman Housing Association Limited
Statement of Changes in Reserves
For the year ending 31 March 2020

	Total Reserves £'000
Balance at 1 April 2019	40,208
Surplus for the year	6,195
Actuarial gain recognised in the pension scheme	460
Balance at 31 March 2020	<u>46,863</u>

1. ACCOUNTING POLICIES

Basis of accounting

A summary of the principal accounting policies, which have been applied consistently, is set out below.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), the Statement of Recommended Practice for Registered Social Housing Providers 2018 (SORP), the Accounting Direction for Private Registered Providers of Social Housing 2019. The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator Social Housing (ROSH) as a housing provider.

The Association's ultimate parent undertaking, Places for People Group Limited, includes the Association in its consolidated financial statements. The consolidated financial statements of Places for People Group Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from Places for People Group Limited, 80 Cheapside, London, EC2V 6EE. The Association is considered to be a qualifying entity for the purposes of FRS 102 and has applied the exemptions available under FRS 102.1.11 and FRS 102.1.12.

The financial statements are presented in Sterling (£'000s).

Going Concern

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

The Places for People Group (Group) has reviewed all of its business forecasts and projections and has produced a revised 10 year business plan for the year ending 31 March 2021, this was approved by the Board in August 2020. Although the full impact of Covid-19 is still unknown, the Group has produced its forecasts on the latest information and experience in the markets in which it operates. In addition to the reviewed forecasts, the Board members have also undertaken stress testing on these forecasts to understand the impact of an increasing severity of the implications from the pandemic.

The Board members have reviewed the projected cash flows and the compliance with debt covenants of the Group and have overlaid a number of scenarios reflecting the potential impact of the Covid-19 pandemic. These scenarios include a 10% reduction in rent received for 12 months and a 5% reduction in rent for the following 12 months, no property sales for the remainder of the year with a 20% price reduction for the following 12 months and leisure centres to remain closed until 31 March 2021 with a phased re-opening over the following 12 months. As a result of these assumptions, and before any cost reductions are applied, management believe the liquidity of the Group at 31 March 2021 would be £566m and £346m at 31 March 2022 if the Group did not raise any additional finance to that which is currently available.

Cotman Housing Association is part of the Guarantor Group and accesses funding from this Group pool, therefore the liquidity position of the Group supports the going concern assumption for the Association.

The Board, after reviewing the Group budgets for 2020/21 and the group's medium term financial position as detailed in the business plan including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Association has adequate resources to continue in business for the foreseeable future.

Consequently, the Board members are confident that the association will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Significant Judgements

The following are the significant judgements, apart from those involving estimations (which are set out separately below), that have been made in the process of applying the Association's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

1. ACCOUNTING POLICIES (Continued)

Going Concern

In order to assess whether it is appropriate for the Association to be reported as a going concern, the management apply judgement, having undertaken appropriate enquiries and having considered the business activities and the principal risks and uncertainties. The Association's ultimate parent undertaking, Places for People Group Limited, includes a full review of going concern and is set out in the Going Concern and Viability Statement of the consolidated financial statements. In arriving at this judgement there are a large number of assumptions and estimates involved in calculating future cash flow projections. This includes management's expectations of both property sales and rental turnover, operating costs, timing and quantum of future capital expenditure and estimates and cost of future funding. Sensitivity testing, involving challenging scenarios including reasonable worst case scenarios in respect of Covid-19, has been undertaken in respect of the assumptions used within the going concern assessment. As a result of these considerations the financial statements have been prepared on a going concern basis.

Investment properties

The Association owns a range of different property types. This requires the Association to assess which properties should be classified as investment properties as these properties are held at a market valuation, not at depreciated cost.

The Association considered the FRS 102 definition of investment property which refers to property held to earn rentals for capital appreciation, rather than for administrative purposes or for sale in the ordinary course of business. The Association has also reviewed Section 16 of FRS 102 that precludes the classification of property held primarily for the provision of social benefits being classified as investment property. The Association has applied this by judging that rental properties without public subsidy attached to them are investment properties.

Accounting estimates

The nature of estimation means that actual outcomes may differ from the estimates made.

Residual value of social housing properties

It is considered that the estimate of residual value of social housing properties has a significant impact on the carrying amount of social housing assets. The Association considers the residual value of social housing property structure to be cost. The net book value of completed social housing properties is £95.4m. The residual value of social housing property structure is £9.5m above the carrying value as at 31 March 2020. A 10% reduction in residual value would result in no impact to the depreciation charge.

Defined benefit pension schemes

The Association has defined benefit obligations relating to one pension scheme. Note 20 sets out the details for these schemes and the assumptions made to assess the net scheme benefit as at the reporting date. The Association engages qualified actuaries to advise on an appropriate discount rate. A decrease in the discount rate used of 0.1% is estimated to reduce scheme total deficits by £9k.

Investment properties

In addition to judging whether or not properties are categorised as investment properties, the Association is also required to estimate the fair value of investment properties on an annual basis. To facilitate this estimation, the Association engaged Savills, a leading professional adviser, to use RICS guidance and the requirements of the Red Book to complete a full valuation of the Association's investment properties. The results of the valuation exercise have been subjected to management scrutiny and challenge.

Recoverability of Stock

The Association has £196k of stock at 31 March 2020 (2019: £nil), comprising land of properties in construction of £3k and completed properties of £193k. FRS 102 section 13 requires stock to be measured at the lower of cost and estimated selling price less costs to complete and sell. The Association also undertakes sensitivity analysis and has assessed that that a short-term drop in expected selling prices of our completed properties of 10% would not result in a material impairment charge.

The Association monitors development projects and properties held for sale on an ongoing basis and uses rigorous appraisal techniques to estimate the recoverable amount of stock. Realistic financial projections are used on an individual site basis to allow management to estimate that land and property are held at the appropriate amount. The Association makes judgements to assess the achievable selling price for properties including assessing the views of specialist advisers on the UK housing market and future house price inflation. Management also consider detailed information relating to geographical area and property type. As such the Association judges that stock is held at the lower of cost and estimated selling price less costs to complete and sell.

1. ACCOUNTING POLICIES (Continued)

Investment properties

Properties held for rental income or capital appreciation that are not held primarily for the provision of social benefit are held as investment properties at fair value, with changes to the fair value recognised in the statement of comprehensive income.

Other fixed assets

Other fixed assets are recognised initially at cost and subsequently held at the lower of depreciated cost or its recoverable amount.

Depreciation

Fixed assets, other than freehold land and investment properties, are depreciated at rates calculated to reduce the net book value of each component element to its estimated residual value, on a straight line basis over the expected remaining useful economic life of the component. Freehold land is not depreciated. The estimated lives of assets and components is as shown in the table below.

Assets	Depreciation period (years)
<u>Rented housing & commercial properties:</u>	
Kitchens	20
Bathrooms	20
Boilers	15
External windows & doors	30
Roofs	45
Fire safety systems	20
Fencing	30
Digital TV aerials	10
Lifts	20
Social Alarms	From 20-40
Surveys	15
Initial and replacement scheme assets	From 1-5
Other elements (new build)	From 100-125
Other elements (rehab)	80
Other elements (leasehold)	Lesser of term of lease or 100 years
<u>Shared Ownership housing:</u>	
All elements (new build)	100
All elements (rehab)	80
All elements (leasehold)	Lesser of term of lease or 100 years
<u>Other fixed assets:</u>	
Offices (new build)	100
Offices (rehab)	80
Office refurbishment	From 10-20
Offices (long leasehold)	Lesser of term of lease or 100 years
Offices (short leasehold)	Terms of lease
Plant & Equipment	5
Cars and commercial vehicles	5
Computer hardware, software and infrastructure	From 3-15

1. ACCOUNTING POLICIES (Continued)

Turnover

Turnover represents rental and service charge income receivable (net of void losses), income from the sale of properties, income from the sale of the first tranche of shared ownership properties, fees and grants from local authorities and Homes England and other income.

Rental income is recognised from the point the property becomes available for letting, net of any voids. Income from land and property sales is recognised when the risks and rewards of ownership have passed to the purchaser. Other income is recognised upon the delivery of services.

Government grant is recognised in turnover over the expected lives of the assets to which it relates.

All turnover arises from activities within the United Kingdom.

VAT

The majority of the Association's turnover is exempt from VAT. However, certain activities are subject to VAT and give rise to VAT recovery. Where appropriate, costs are stated including irrecoverable VAT.

Pensions

Employees joining the Association have the option of joining the Places for People Group Stakeholder Scheme ('Stakeholder Scheme'), a defined contribution scheme. The costs of contributing to the Stakeholder Scheme are accounted for as an expense in the year in which they occur. Contributions from the Association and participating employees are paid into independently administered funds. These payments are made in accordance with triennial calculations by professionally qualified independent actuaries.

Pension scheme assets are measured by independent experts using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Pension scheme deficits are recognised in full. The movement in scheme deficit is split between operating charges, finance costs and, in other comprehensive income, actuarial gains and losses.

The Association participates in the Social Housing Pension Scheme (SHPS), a multi-employer defined benefit scheme. During the year, the Association recognised its individual share of the SHPS scheme deficit following an exercise carried out by independent actuaries to identify each member's share of the deficit. In previous year's, the Association recognised a liability based on the present value of the agreed deficit reduction contributions. The change in the liability as a result of the change in estimate has been recognised in other comprehensive income. The in-year movement in the scheme deficit is split between operating charges, finance costs and, in other comprehensive income, actuarial gains and losses.

Housing Properties

Housing properties are those held primarily for the provision of social benefits. Housing properties are stated at the lower of depreciated cost or its recoverable amount. Cost is taken as the purchase price together with costs of acquisition and improvements, attributable administrative costs and interest costs incurred, including related development and administrative costs and interest payable.

The Association capitalises expenditure on housing properties which results in an increase in either the existing use value of the property or the disposal value of the property.

Impairment

An impairment review is undertaken when there is an indication the asset may be impaired. If any assets in relation to social housing activity are found to be impaired, the amount of impairment is disclosed in Note 3.

When undertaking impairment reviews to assess whether assets or cash generating units are held at the lower of cost or recoverable amount, recoverable amount is defined as its value in use. Recoverable amount is normally assessed using discounted cash flow techniques for all anticipated cash flows to generate a net present value.

Costs are assigned to all schemes on a detailed basis, including mixed tenure schemes.

The Association defines cash generating units as housing schemes except where its schemes are not sufficiently large enough in size and it is more appropriate to consider individual assets. This approach supports effective appraisal of housing schemes as it aligns with the management and operation of the business.

1. ACCOUNTING POLICIES (Continued)

Social Housing Grant and Other Capital Grant

Government grants are included within creditors in the statement of financial position and credited to the statement of comprehensive income over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

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

Where SHG or other grants are retained following the disposal of property, it is shown under the Disposal Proceeds and Recycled Capital Grant Funds within creditors. These funds will be used for the provision of new social housing for rent and sale and become repayable if unutilised.

Financial Instruments

The Association has elected to apply the recognition and measurement provisions of International Accounting Standard 39 as allowed by FRS 102 sections 11 and 12. Financial instruments are initially recorded at fair value. Subsequent measurement depends on the designation of the instrument as follows:

- Other assets, including trade investments and joint venture investments and assets that are short-term in nature such as cash and receivables are predominantly categorised as loans and receivables and measured at amortised cost using the effective interest method.

- Financial liabilities are predominantly measured at amortised cost using the effective interest method.

The effective interest rate includes interest and all directly attributable incremental fees and costs.

Cash at bank and in hand in the statement of financial position comprises all cash and cash equivalents that mature or are convertible within one day or less.

The Association is required to set aside sums in respect of future maintenance of certain properties subject to leasehold arrangements. These sums are held in a separate bank account to which interest is added and tax deducted. Amounts accumulated in the fund are included within current asset investments and within creditors in the statement of financial position.

Other debtors, including tenant arrears, and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income.

Stock

Properties purchased for improvement for sale are treated as current assets and all other housing properties are treated as tangible fixed assets. Properties held as current assets are stated at the lower of cost and estimated selling price less costs to complete and sell.

Stock includes assets under construction and those purchased for improvement prior to sale. Stock is stated at the lower of cost and estimated selling price less costs to complete and sell with any provisions being charged to cost of sales. The cost of stock is the purchase price together with costs of acquisition and attributable overhead costs.

Cotman Housing Association Limited
Notes to the Financial Statements
For the year ending 31 March 2020

2. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	2020					2019				
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Other operating items £'000	Operating surplus/ (deficit) £'000	Turnover £'000	Cost of sales £'000	Operating costs £'000	Other operating items £'000	Operating surplus/ (deficit) £'000
Social housing lettings (note 3)	17,139	-	(10,247)	-	6,892	16,890	-	(10,188)	-	6,702
Other social housing activities										
Social housing property sales	-	-	(11)	-	(11)	-	-	1	-	1
Shared ownership property sales	372	(320)	(20)	-	32	-	-	(11)	-	(11)
Charges for support services	-	-	(2)	-	(2)	-	-	-	-	-
	17,511	(320)	(10,280)	-	6,911	16,890	-	(10,198)	-	6,692
Non-social housing activities	227	-	(205)	-	22	179	-	(34)	-	145
	17,738	(320)	(10,485)	-	6,933	17,069	-	(10,232)	-	6,837
Surplus/(loss) on sale of fixed assets	-	-	-	165	165	-	-	-	(60)	(60)
(Loss)/gain on revaluation of investment properties	-	-	-	(64)	(64)	-	-	-	3	3
	17,738	(320)	(10,485)	101	7,034	17,069	-	(10,232)	(57)	6,780
Analysis of turnover	2020	2019								
	£'000	£'000								
Social housing turnover	17,511	16,890								
Non-social housing activities										
Older persons floating support project	150	108								
Other	77	71								
	17,738	17,069								

Cotman Housing Association Limited
Notes to the Financial Statements
For the year ending 31 March 2020

3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2020			Total £'000	2019 Total £'000
	General needs housing £'000	Supported housing & housing for older people £'000	Low cost homeownership £'000		
Income from social housing lettings activities					
Rent receivable net of identifiable service charges	14,914	7	-	14,921	14,790
Service charge income	959	517	26	1,502	1,426
Amortised government grants	463	118	-	581	546
Other income	126	3	6	135	128
Turnover from social housing lettings	16,462	645	32	17,139	16,890
Expenditure on housing lettings activities					
Management costs	(1,867)	(24)	(1)	(1,892)	(1,959)
Service charge costs	(969)	(395)	(18)	(1,382)	(1,414)
Routine maintenance	(2,105)	(102)	-	(2,207)	(2,217)
Planned maintenance	(545)	-	-	(545)	(543)
Major repairs expenditure	(384)	(9)	-	(393)	(432)
Bad debts	(36)	(6)	(1)	(43)	(66)
Depreciation on housing assets	(566)	(104)	-	(670)	(578)
Intra group property recharges	(3,102)	-	-	(3,102)	(2,931)
Other costs	(12)	(1)	-	(13)	(48)
Total expenditure on lettings	(9,586)	(641)	(20)	(10,247)	(10,188)
Operating surplus on social housing lettings	6,876	4	12	6,892	6,702
Void Losses	(153)	7	-	(146)	(161)

Cotman Housing Association Limited
Notes to the Financial Statements
For the year ending 31 March 2020

4. SALE OF FIXED ASSETS

	2020	2019
	£'000	£'000
Proceeds	340	276
Book Value	(163)	(274)
Selling Costs	(12)	(62)
Surplus/(loss) on sale of fixed assets	165	(60)

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020	2019
	£'000	£'000
Interest receivable on amounts due from related undertakings	42	-
Interest receivable on cash deposits	7	21
	49	21

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2020	2019
	£'000	£'000
In respect of bank loans and overdrafts	867	928
Interest on pension scheme liabilities	25	28
Less: capitalised interest	(4)	(11)
	888	945
Capitalisation rate used to determine the finance costs capitalised during the year:	2.50%	4.46%

7. SURPLUS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION

	2020	2019
	£'000	£'000
The surplus on ordinary activities before and after taxation is stated after charging:		
Tangible fixed assets depreciation and impairment	674	579
Operating lease payments on motor vehicles	7	7
Auditor's remuneration	12	8
Surplus/(loss) on sale of fixed assets	165	(60)

Cotman Housing Association Limited
Notes to the Financial Statements
For the year ending 31 March 2020

8. TAXATION

The Association has charitable status and is exempt from corporation taxation under the provisions of Section 505 of the Income and Corporation Taxes Act 1988 therefore there is no corporation tax payable in either 2020 or 2019.

9. BOARD OF MANAGEMENT EMOLUMENTS

The Association board members comprise non-executive board members and and, up to January 2020, the Managing Director.

The emoluments payable to the non-executive directors in 2020 were £20,791 (2019: £20,693).

Total emoluments (excluding pension contributions) for 2020 payable to the Managing Director were £254,161 (2019: £117,311).

The Managing Director was an ordinary member of The Social Housing Pension Scheme with no enhanced special terms. There were no additional pension arrangements. The aggregate contribution made by the Association in 2020 was £9,875 (2019: £11,148).

During the year, two members of the Board of Management had their emoluments met fully by Places for People Group Limited as they were also directors of other companies within the Places for People Group. These emoluments are disclosed in the Places For People Group financial statements.

The number of directors who received emoluments in the following ranges was:

	2020	2019
	No.	No.
£110,000 - £120,000	-	1
£250,000 - £260,000	1	-

10. EMPLOYEE INFORMATION

The average number of employees expressed as full time equivalents employed during the year was:

	2020	2019
	No.	No.
Managing housing services	21	21
Central administration services	5	4
Care services	2	2
	28	27

Average number of employees is calculated by ascertaining for each calendar month in the financial year, the number of persons, by category, employed by the company. The monthly numbers are then added together and divided by the number of months in the financial year.

	2020	2019
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	1,044	898
Severance costs	147	50
Social security costs	82	82
Other pension costs	94	85
	1,367	1,115
	2020	2019
Staff costs (for the non-executive members of the board):	£'000	£'000
Wages and salaries	21	21

11. HOUSING PROPERTIES

	Housing properties and land	Completed LSE & Shared Ownership housing properties	Housing properties in the course of construction	LSE & Shared Ownership properties in the course of construction	Total housing properties
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2019	102,695	6,177	192	-	109,064
Additions	-	-	2,313	614	2,927
Change of tenure	(3)	3	-	-	-
Transfer to completed schemes	2,199	609	(2,199)	(609)	-
Disposals	(176)	-	-	-	(176)
At 31 March 2020	104,715	6,789	306	5	111,815
Depreciation and impairment					
At 1 April 2019	(15,470)	(200)	-	-	(15,670)
Charge for year:					
Depreciation	(670)	-	-	-	(670)
Eliminated on disposal					
Depreciation	16	-	-	-	16
At 31 March 2020	(16,124)	(200)	-	-	(16,324)
Net book value at 31 March 2020	88,591	6,589	306	5	95,491
Net book value at 1 April 2019	87,225	5,977	192	-	93,394

LSE denotes Leasehold Schemes for the Elderly.

	2020	2019
	£'000	£'000
Household properties comprise:		
Freehold	107,336	104,542
Long leasehold	4,479	4,522
	111,815	109,064

Additions to property costs include an apportionment of staff time directly spent on the administration of development activities amounting to £74,000 (2019: £103,000).

Expenditure on major works to existing properties during the year was £0.6m (2019: £1.0m).

Additions to housing properties in the course of construction during the year include capitalised interest of £3,600 (2019: £11,000).

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12. FIXED ASSETS INVESTMENTS

Investment properties

	2020	2019
	£'000	£'000
At 1 April 2019	270	267
Revaluation in year	(64)	3
At 31 March 2020	206	270

13. OTHER FIXED ASSETS

	Plant & specialist equipment	Computer Equipment	Freehold commercial properties	Fixtures & Fittings	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2019	43	55	672	20	790
At 31 March 2020	43	55	672	20	790
Depreciation					
At 1 April 2019	(43)	(55)	(22)	(20)	(140)
Charge for year	-	-	(4)	-	(4)
At 31 March 2020	(43)	(55)	(26)	(20)	(144)
Net book value at 31 March 2020	-	-	646	-	646
Net book value at at 1 April 2019	-	-	650	-	650

14. STOCK

	2020	2019
	£'000	£'000
Housing properties for sale		
Buildings - Completed	193	-
Buildings - In progress	3	-
	196	-

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£'000	£'000
Rental debtors	517	535
Less: Provision for bad and doubtful debts	(152)	(149)
	365	386
Other trade debtors	103	122
Capital debtors	41	34
Amounts due from related undertakings	843	2,067
Sundry debtors, prepayments and accrued income	237	335
	1,589	2,944

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16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£'000	£'000
Housing loans	952	959
Deferred Government Grant	578	581
Interest on housing loans	146	264
Trade creditors	227	134
Other taxes	11	18
Capital development creditor	354	603
Other creditors and accruals	781	1,445
Payments received on account	580	127
Prepaid rent	519	433
	4,148	4,564

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020	2019
	£'000	£'000
Debt		
Housing and bank loans	18,441	19,394
Other financial liabilities		
Recycled Capital Grant Fund (note 18)	120	97
Deferred Government Grant	38,644	38,989
Creditors falling due after more than one year	57,205	58,480

Analysis of debt and other financial liabilities

These are repayable as follows:	2020	2019
	£'000	£'000
In one year or less	952	959
In one year or more but less than two years	954	952
In two years or more but less than five years	4,551	4,527
In five years or more		
By instalments	11,436	12,415
Not by instalments	1,500	1,500
	19,393	20,353

All loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest, from 0.98% - 10.98% in instalments.

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18. RECYCLED CAPITAL GRANT

		2020	2019
		£'000	£'000
At 1 April		97	-
Inputs to reserve:	Grant recycled	23	97
	Transferred from related undertaking	160	1,248
Outputs from reserve:	New Build	(160)	(1,248)
At 31 March		120	97
		<u>-</u>	<u>-</u>
Amounts 3 years old or older where repayment maybe required		<u>-</u>	<u>-</u>

19. NON-EQUITY SHARE CAPITAL AND LOAN STOCK

		2020	2019
		£	£
Share capital			
At 31 March		177	177
£1 loan stock			
Shares in Cotman Housing Services Limited converted to loan stock		20	20

On the transfer of engagements of Cotman Housing Services Limited to Cotman Housing Association Limited on 10 February 1997 those members of Cotman Housing Services who were already members of Cotman Housing Association were issued with £1 loan stock in lieu of shares in Cotman Housing Association Limited.

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

20. PENSION OBLIGATIONS

The pensions costs for Cotman Housing Association Limited relate to two schemes of which employees are members; the Places for People Group Stakeholder Scheme and the Social Housing Pension Scheme.

The Places for People Group Stakeholder Scheme

Employees joining the Group from 1 September 2004 have the option of joining a defined contribution retirement benefit scheme - the Places for People Stakeholder Pension Plan and Group Life Assurance Scheme.

The total cost charged to the statement of comprehensive income of £89k (2019: £84k) represents contributions payable to these schemes by the Association at rates specified in the rules of the plan.

The Social Housing Pension Scheme (SHPS)

The Association participates in the Social Housing Pension Scheme (SHPS), a multi-employer scheme which provides benefits to non-associated employers.

SHPS is a defined benefit scheme in the UK and 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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A recovery plan has been put in place with the aim of removing this deficit by 30 September 2026.

SHPS 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 financial years ending on or before 28 February 2019, it had not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Group has previously accounted for SHPS as a defined contribution scheme. For financial years ending on or after 31 March 2019, it was possible to obtain sufficient information to enable the company to account for the scheme as a defined benefit scheme.

The mortality assumption used at 31 March 2020 is that a male currently aged 65 years old has a life expectancy of 21.5 years (2019: 21.8 years), a female currently aged 65 years old has a life expectancy of 23.3 years (2019: 23.5 years), a male currently aged 45 years old has a life expectancy of 42.9 years (2019: 45.0 years) and a female currently aged 45 years old has a life expectancy of 44.5 years (2019: 48.2 years).

The major assumptions used by the actuary were:

	2020	2019
Discount rate	2.60%	2.50%
Price inflation (RPI)	2.90%	3.30%
Price inflation (CPI)	1.90%	2.30%
Salary growth	2.65%	3.30%

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

	2020	2019
Diversified growth funds	14.5%	11.6%
Equities	18.0%	16.8%
Liability driven investments	36.6%	36.6%
Absolute return bonds	9.9%	8.7%
Corporate bonds	5.7%	6.5%
Other fixed interest	3.8%	3.6%
Insurance linked securities	3.1%	5.9%
Direct lending	4.4%	1.3%
Property	4.0%	9.0%
	100.0%	100.0%

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20. PENSION OBLIGATIONS (Continued)

Amounts recognised in the Statement of Financial Position	2020	2019
	£'000	£'000
Fair value of plan assets	4,451	4,307
Present value of defined benefit obligation	(4,939)	(5,374)
Net liability recognised in the statement of financial position	(488)	(1,067)
Analysis of amounts recognised in the Statement of Comprehensive Income	2020	2019
	£'000	£'000
Expected return on plan assets	108	108
Interest on scheme liabilities	(133)	(136)
Amounts charged to other finance costs	(25)	(28)
Amounts recognised in Other Comprehensive Income	2020	2019
	£'000	£'000
Initial recognition of multi-employer defined benefit scheme	-	(322)
Actuarial gain/(loss) in pension scheme	460	(3)
Movement in fair value of plan assets	2020	2019
	£'000	£'000
As at 1 April	4,307	-
Initial recognition of multi-employer defined benefit scheme	-	4,145
Interest on plan assets	108	108
Company contributions	149	136
Benefits paid	(125)	(132)
Return on plan assets less interest	12	50
As at 31 March	4,451	4,307

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20. PENSION OBLIGATIONS (Continued)

Movement in present value of defined benefit obligation	2020	2019
	£'000	£'000
As at 1 April	5,374	-
Initial recognition of multi-employer defined benefit scheme	-	5,312
Current service costs	5	5
Interest costs	133	136
Benefits paid	(125)	(132)
Gains from changes to demographic assumptions	68	(81)
Losses from changes to financial assumptions	(421)	247
Actuarial gain on obligation	(95)	(113)
As at 31 March	4,939	5,374

21. CAPITAL COMMITMENTS

The commitments under non-cancellable operating leases for the following year, analysed according to the period in which each lease expires are set out below.

	Motor vehicles	Motor vehicles
	2020	2019
	£'000	£'000
In one year or less	6	6
In more than one year and less than two years	2	8
	8	14
	2020	2019
	£'000	£'000
Capital expenditure that has been authorised and contracted for but has not been provided for in the financial statements	814	16
Additional Capital expenditure that has been authorised by the Board of Directors	9,265	21,574

The above commitments will be financed in accordance with our treasury management policy which is detailed in the Places for People Group consolidated accounts.

Cotman Housing Association Limited
Notes to the Financial Statements
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22. HOUSING STOCK

The Association owns or manages 3,408 housing properties, a breakdown of these housing properties is shown below:

	2019	Units developed or newly built units acquired	Units sold/ demolished	Transfers (to)/from other RPs	Other movements	2020
	No.	No.	No.	No.	No.	No.
Social housing owned						
- General Needs Housing	1,143	-	(2)	-	-	1,141
- Affordable Housing	269	13	-	-	1	283
- Supported Housing	85	-	(2)	-	(2)	81
- Housing for Older people	102	-	-	-	-	102
- Low cost home ownership accommodation	97	6	-	-	-	103
Total social housing owned	1,696	19	(4)	-	(1)	1,710
Social housing managed						
- General Needs Housing	2,636	-	(3)	-	-	2,633
- Affordable Housing	316	13	-	-	1	330
- Supported Housing	105	-	(2)	-	(3)	100
- Housing for Older people	141	-	-	-	-	141
- Low cost home ownership accommodation	37	6	(1)	-	-	42
Total social housing managed	3,235	19	(6)	-	(2)	3,246
					2020	2019
					No.	No.
Total social housing units managed but not owned					1,623	1,626
					2020	2019
					No.	No.
Non-social housing managed						
- Leased housing - freehold only					75	9
Total non-social housing managed					75	9
Total Social housing managed					3,246	3,235
Total housing managed					3,321	3,244
Total non-social housing owned but managed by another body					87	147
Total housing owned or managed					3,408	3,391
Garages, commercial premises and other non-residential units managed or serviced					10	7
Total residential and non-residential units managed or serviced					3,418	3,398

23. CONTINGENT LIABILITY

The Association, together with some fellow subsidiaries of the Places for People Group, has guaranteed to holders of debt issued by members of the Places for People Group, the principal amount and interest accrued in respect of certain debts in the event of default by the issuing entity.

The total capital outstanding at 31 March 2020 in respect of such guarantees was £1,586.4m (2019: £1,257.7m). The total interest accrued at 31 March 20 relating to this debt was £17.0m (2019: £13.3m).

These represents the maximum exposure for the Association.

The directors consider it extremely unlikely that the Association would be required to make any payments in respect of this guarantee.

24. RELATED PARTIES

Under Section 33 of FRS 102 defined benefit pension schemes are considered to be related parties. Employees of the Association are members of the following defined benefit schemes: The Social Housing Pension Scheme, The Places for People Group Retirement Benefit Scheme, The Places for People Group Stakeholder Scheme. Details of transactions with the schemes are disclosed in note 20.

Cotman Housing Association Limited is a subsidiary of the Places for People Group Limited, 80 Cheapside, London, EC2V 6EE. Since the parent company publishes consolidated group accounts, the Association has taken advantage of the exemption not to report transactions with other group members as permitted in FRS 102.33.1A.

No tenants served on the Board of Cotman Housing Association Limited during the year.