Eastlight Community Homes Limited

(formerly Greenfields Community Housing Limited)

Annual Report
and Financial Statements
For the year ended 31 March 2020

Co-operative and Community Benefit Society Registration No. 30124R
Registered Provider No. L4499
Regulated by the Regulator of Social Housing
A charity exempt from registration

Eastlight Community Homes Limited

Contents

Board
The Board members who served from 1 April 2019 to the date of approval of the financial statements were as follows;

Chair	Dale Butcher (to 30.06.20) Hattie Llewelyn-Davies (Appointed 01.07.20)
Vice Chair	Dale Butcher (From 01.07.2020)
Senior Independent Director	Suzanne Wicks (Resigned 30.06.20) David Russell (From 01.07.20)
Other Board Members	Neil Coughlan (Appointed 20.01.20) Flip Hornby (Resigned 15.11.19) Alison Inman (Appointed 01.07.20) Simon Jones (Appointed 01.07.20) Emma Keegan (Resigned 30.06.20) Malcolm O'Brien (Appointed 01.07.20) Charanjit Patel Helen Routledge (Retired 23.05.19) Alex Shelock (Resigned 30.06.20) Charlotte Smith (Appointed 01.07.20) Kay Vowles
Co-opted Board Members	Keith Carter (Appointed 23.05.19, resigned 30.06.20) Jo Savage (Resigned 30.06.20)
Committee Members	Chris Ellison (Appointed 01.07.20) – Investment Committee Paul Newbold (Appointed 23.05.19, resigned 30.06.20) – Home Committee Jo Savage (Appointed 01.07.20) – Governance Committee Alex Shelock (Appointed 01.07.20) – Investment Committee Julia Thomas (Appointed 01.07.20) – Governance Committee David Wallis (Resigned 30.06.20) – Audit & Risk Committee

Executive Directors

The executive directors hold no interest in the Association's shares and act as executives within the authority delegated by the board.

Chief Executive	Emma Palmer
Deputy Chief Executive	Sara Thakkar (Appointed 01.07.20, resigned 31.07.20)
Executive Director Resources	David Hall
Executive Director Operations	Richard Gormley (Appointed 01.04.19)
Executive Director People	Sharon Ault (appointed 01.04.2020)
Executive Director Housing & Customer Excellence	Sandra Crosby (to 30.06.20)
Executive Director Corporate Services	Andrina Warsop (Appointed 01.04.19, resigned 15.05.20)
Secretary	David Hall

Registered Office	Eastlight House Charter Way Braintree Essex CM77 8FG
External Auditor	Beever and Struthers, 15 Bunhill Row, London EC1Y 8LP
Principal Solicitors	Trowers & Hamlins LLP, London Anthony Collins LLP, Birmingham
Principal Bankers	Lloyds Bank plc, Barclays Bank plc.

Eastlight Community Homes Limited
Chair's Statement
For the year ended 31 March 2020

Dale and I are delighted to present the financial statements of Eastlight Community Homes, and I am equally delighted and reassured that Dale, Greenfields former Chair, will be continuing as Vice Chair of Eastlight as we move forward into the newly co-created organisation. I am very grateful for Dale's support and stewardship as we have guided the organisations through the merger negotiations over this last year.

In July 2019 the Board of Colne Housing Society selected Greenfields Community Housing as its preferred partner to deliver the vision of Unlocking Eastern Potential. Over the last year, with the support of our advisors and our executive teams, the Joint Board Working Group has worked together to create Eastlight Community Homes.

Eastlight is the largest community gateway housing provider in the country and we are committed to maintaining this strong emphasis of placing our customers at the heart of what we do and being Always Committed to Communities. Both organisations boast a strong history and track record of performance and delivery. The opportunities that come from the combination are significant and we will truly be stronger together.

We have ambitious plans for Eastlight; over the next five years we intend to use our combined capacity to develop 3,800 much needed new homes for rent and for low cost ownership; we will invest £130m in existing homes to improve condition, thermal efficiency and safety; we will invest £1.75m in our communities. The combination will provide us with the capability and capacity to improve our service delivery, introducing greater digital options and to improve our resilience. We aim to be bigger, better, bolder.

We are living in unprecedented times; housing need remains high, we are approaching the withdrawal from the EU and we have experienced in 2020 the global pandemic that has challenged health and social infrastructure and will likely lead to a significant economic downturn. We are very proud of our people and the resilience, imagination and determination that they have demonstrated to work through this period and to not only continue to provide an excellent service but to evolve and to support customers. We must also recognise though that this will be a challenging time ahead for many including ourselves. Our combination provides us with greater capacity and resilience, and we will learn from this experience and it will shape the way that we work and the way that we support our customers as we go forward.

Over the coming year we will be working to develop the detailed strategy to deliver our ambition and we will publish our plans on how we expect to achieve this through to 2025.

The majority of this annual report will report the activities and results of Greenfields for the year ended March 2020; another year of strong performance and development for the organisation. We have achieved our targets for providing new homes, we have improved on our service performance for our customers and we have maintained strong satisfaction, compliance and financial performance. This provides a great foundation and we look forward to reporting to you next year on our first year as Eastlight.

We would like to offer our heartfelt thanks to all of our colleagues who have worked so hard over this period, Board colleagues, our involved residents, volunteers, executive and employee teams. Our thanks to our advisors who have worked with us to create Eastlight. There are a number of board members and colleagues who have supported Greenfields over a number of years and who have decided to step away at this time – we would especially like to thank them for their contributions and commitment and to wish them well.

We can look forward to the coming year with excitement and confidence.

H Llewelyn-Davies.

Hattie Llewelyn-Davies, Chair

Dale Butcher, Vice Chair

PRINCIPAL ACTIVITIES

The Association is incorporated as a Registered Society under the Co-operative and Community Benefit Societies Act 2014, Registered No. 30124R and is also registered with the Regulator of Social Housing in England (RSH), in accordance with the Housing & Regeneration Act 2008 Registered No. L4499. The Association has adopted charitable objects and is recognised as a charity by HM Revenue and Customs, reference EW79540. As a public benefit entity, Eastlight Community Homes Limited ("Eastlight") has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

MERGER OF GREENFIELDS AND COLNE HOUSING SOCIETY

In July 2019, the Board of Colne Housing Society selected Greenfields Community Housing Limited as its preferred partner to deliver a shared strategic vision for the future development of homes and services in the East of England. The Boards of the respective organisations have worked together to develop proposals to Unlock Eastern Potential Together and in April 2020 agreed the shared business case for the merger of the two organisations.

On 1 July 2020, the merger was completed via a Transfer of Engagements, and the assets and liabilities of Colne Housing Society Limited (Registered under the Co-operative and Community Benefit Societies Act 2014 with registration number: 20799R) in accordance with Section 110 of the Co-operative and Community Benefit Societies Act 2014, were transferred into Eastlight Community Homes Ltd. Greenfields Community Housing Limited has been registered with the Financial Conduct Authority as Eastlight Community Homes Limited and trading as such as the combined Registered Society and Registered Social Housing Provider.

The Board agreed a number of clear commitments for the next five years:

- To start 3,800 new homes for social and affordable rent and for low cost home ownership in the next 5 years
- To invest £130m in existing homes
- To invest £1.75m to empower residents and communities to improve lives and enable independent living
- To improve value for money, efficiency and release capacity, becoming stronger financially together and more resilient

The Board has recruited members from both Colne and Greenfields former boards and through external recruitment to provide the skills, knowledge and experience that it needs to govern the business going forward and to deliver the ambition. The Board has also agreed a new structure of committees that will be implemented during 2020. The details of Board members are provided on page 2.

Eastlight is established as a community gateway organisation and this model will continue to embed empowerment for residents including their ability to influence our decisions and clear mechanisms for residents to work with us and challenge us to improve the safety and quality of our homes and surrounding neighbourhoods. We intend to develop a new Strategic Panel to enable this.

The following Strategic Report focusses on the performance of Eastlight Community Homes Limited operating as Greenfields Community Housing Limited over the year ended 31 March 2020 and refers to the future plans and principal risks of the combined organisation now named Eastlight Community Homes Limited.

OPERATING REVIEW

In 2019 the Greenfields Board launched a six-year strategic plan to 2025, Building Communities Together. Building on the strong foundations of the previous plan, the core objectives remain centred on Our Homes, Our Communities and Our Services, and are underpinned by our commitment to strong finances, robust governance and investment in our people.

During the year, following an external assessment, the Regulator for Social Housing upgraded Greenfields back up from G2 to G1 and maintained our financial viability grade at V1. This confirms our compliance with the Governance and Financial Viability Standard and demonstrates our drive to continually meet the high levels of assurance for both financial stability and sound governance. Colne Housing Society maintained its G1 V1 rating during the 2019-20 financial year. Eastlight has received a formal regulatory grading of G1 V1.

As the financial year drew to a close, the country entered lockdown as a result of COVID19, creating significant uncertainty, with businesses closing their doors, and many across the UK becoming furloughed. The true impact is yet to be fully appreciated, but we remain committed not only to supporting our tenants, but to the wider community, working closely with government agencies and support networks to ensure the best outcomes are achieved in these unprecedented times.

Strategic Theme*: Our Homes….*

During 2019-20, we delivered 204 new homes, and the Board agreed a Growth Strategy with an ambition to increase delivery to 350 homes annually by 2023. At year end, we were in contract for 509 new homes and a pipeline of an additional 388. These are a mix of social and affordable properties for rent, and shared ownership properties for sale.

Investing in our business and existing assets has once again been a core focus. We have completed 1700 stock condition surveys maintaining our five year programme, ensuring that our asset data is up to date. During the year we completed upgrades for 144 doors, 77 bathrooms, 80 kitchens, 212 rewires, 308 heating systems and 72 roofs. We also upgraded the fire alarm systems in three of our Housing for Older People schemes. Moving forward, our new Asset Management Strategy will see us take a proactive approach to ensuring that those homes are fit for modern living and changing resident expectations.

Our Asset and Commercial team use the Asset Investment Model (AIM) to identify the financial and social return generated by our assets and target those where disposal or alternative use offers a better outcome. We are reviewing all our assets, including land, non-sustainable stock and garage sites as well as regeneration of areas with large gardens, to make sure we are making the best use of them or to explore alternative uses. The results of this review will be available during the 2020-21 financial year.

We have maintained 100% compliance with the Decent Homes Standard and all our homes have had a valid Landlord Gas Safety Record in place throughout the year. We have also taken the opportunity to put in place a fire door renewal programme in our flats to provide complete assurance that they comply with the latest standards, this programme was initiated this year and will continue into 2020-21.

Strategic Theme: Our Communities….

Supporting, empowering and improving our tenant’s lives has been and will remain a priority. We pride ourselves in being more than a landlord and look to inspire and enable our residents to live healthy lives in safe and vibrant communities.

We support our tenants to enable them to live independently and maintain their tenancies by providing pre-tenancy assessments, and welcome and tenancy visits. A hardship fund is available if they lack basic goods and we also offer a decorating service to those in need.

Volunteering is a key part of the way we work, and we continue to offer a wide menu of volunteer opportunities for all. This year we ran the 'Rethinking Resident Involvement' project involving almost 300 residents and staff looking at how we ensure our volunteer opportunities provide the right benefits for our residents. This helped us to reshape our resident involvement structure, providing opportunities and training programmes designed to empower residents and progress those who wish to, into representation roles and Board membership. We also host an annual event to celebrate our volunteer’s commitment.

During the COVID19 situation, we contacted over 2,500 of our residents who are over 70 to make sure they are safe and referred to Tenancy Sustainment Team if they need more support. We also joined forces with Braintree District Council to help those who needed support, providing a shopping service, picking up prescriptions and fighting loneliness by befriending.

We continue to support the National Housing Federation Together with Tenants initiative and our residents have a say in all areas of our business through scrutiny by our Community Gateway Group. This year residents have influenced many changes including our rent statements, our Aids & Adaptation policy and our internal decorating process.

Strategic Theme: Our Services….

Our Corporate Strategy puts customer feedback at the centre of our strategic objectives and our measurement for success. In October 2019 we introduced a real-time feedback system which allows us to send automatic surveys to capture customer feedback at the point of contact, for example following a repair visit, or at the end of telephone contact. Customers can rate their satisfaction with our services, scoring us between 1 and 5. To date we have received over 6800 pieces of feedback. Our average customer satisfaction score is 4.6 out of 5. Acting on customer sentiment in real time demonstrates our commitment to improving our resident offer and our residents' experience of our services

We aim to deliver the highest quality of service that is responsive, flexible and offers great value for money. We have continued to develop our digital offering with enhancement to our self service portal and upgrades to our telephony systems. Our move to agile working across the organisation ensured that during the COVID19 lockdown period, we maintained all critical services for our residents and could continue to work and support our customers during this difficult time.

Our rent collection performance is top quartile (Housemark data: 2018-19). We reduced our outstanding arrears balance at March 2020 to 0.84% from 1.04% in 2019. By March 2020 over 1,600 of our households had made a claim for Universal Credit. We have been pro-active in managing the requirements of the service, both from our perspective and from that of our tenants, and have worked very closely with the regional DWP management team to mitigate the impact for claimants and ourselves, the results of which are shown in our arrears performance. Our Tenancy Sustainment Team is focused on early support and interventions for tenants who are experiencing difficulties with their tenancies. The team have worked with 610 households to sustain their tenancy, including addressing hoarding, providing advice to support claimants for universal credit and other benefits, established a job club and a hardship fund.

Greenfields Operating Performance Summary

	2017-18 Actual	2018-19 Actual	2019-20 Target	2019-20 Actual
Current tenant rent arrears	1.06%	1.02%	1.00%	0.84%
Rent loss due to voids	0.51%	0.39%	0.50%	0.32%
Relet time for standard voids	22.9 days	17.1 days	23 days	21.2 days
Repairs completed in target time	99.31%	99.53%	99%	99.73%
Homes with a valid gas certificate	100%	100%	100%	100%
New homes completed	197	203	190	204
New home sales completed	46	47	72	46
Average time to sell	126 days	86 days	64 days	65 days

FUTURE PROSPECTS

COVID19 Pandemic

In light of the recent pandemic, the management have considered the potential financial impact, and the risks that have arisen and may arise in future periods as a result. The principal risks identified include the contraction of the housing market, increased rent arrears, the availability of cash resources, the impact of economic downturn and the consequences of social distancing. Having taken steps to mitigate where possible the impact of these risks, and having extensively stress tested scenarios in the usual course of business planning, with the addition of supplementary monitoring and short term cashflow planning, the management has reasonable expectation that the business will remain financially viable.

Additionally, in immediate response to the pandemic, the business was able to move quickly to an agile working format for all staff, and has, through careful planning, maintained its 100% compliance record. Although the social distancing resulted in some service disruption, high levels of customer satisfaction have been maintained.

Future plans for a return to business as usual operations are in place, but timings will be dependent on Government and Public Health England advice.

FINANCIAL PERFORMANCE

The Board is pleased to report an overall surplus of £9.6m (2019: £11.1m) for the year. A reduction in the surplus recorded was expected and resulted in part from the reductions in social rents, increase in investment under the approved asset management strategy and investment in strengthening the executive and management team to deliver the agreed strategic plan. The reduction was greater than expected due in part to the impact of the COVID19 lockdown which deferred some shared ownership sales expected to occur during the year.

Financial Performance Summary

£m	2016-17	2017-18	2018-19	2019-20
Turnover	43.0	47.1	47.6	48.0
Income from lettings	40.9	41.2	42.2	43.3
Operating Surplus	13.4	17.5	17.1	15.8
Surplus for the year	8.2	12.6	11.1	9.6
Housing properties at cost	278.2	304.7	320.4	347.4
Net current assets	34.5	41.7	37.8	20.8
Indebtedness	136.0	156.0	156.0	156.0
Total reserves	163.8	179.9	192.0	202.6

Reserves

At 31 March 2020 the Association's total reserves stood at £202.6m (2019 £192.0m). This includes the Revaluation Reserve of £97.6m (2019 - £98.4m) and the accumulated surplus on the Revenue Reserve of £102.0m (2019 - £90.5m).

The Board has established a restricted reserve in respect of the Community Housing and Investment Partnership (CHIP) Fund as required under the transfer agreement with Braintree District Council. At 31 March 2020 the balance of this reserve was £3.0 (2019 - £3.0m).

By agreement with the Council, the proceeds of properties sold at auction are included in a reserve designated for reinvestment in new housing. In 2020, no properties were sold at auction.

Cashflow and Liquidity

The net cash in-flow from operating activities during the year was £19.0m (2019 - £26.5m).

At the end of the year the Association held £17.3m (2019 - £37.1m) in cash balances and deposits. Of this sum £10m is held as a buffer against expected operating expenditure for up to three months.

Capital structure and treasury policy

During the year we arranged a new £30m revolving credit facility with RBS / National Westminster Bank, taking our total funding facilities to £215m.

At 31 March 2020 the Association had total borrowings of £156m under the combined facilities. The balance of undrawn facility represents a revolving credit facility of £29m provided by Santander that was not utilised at March 2020.

The Board has an approved a Treasury Management Strategy that provides the funding needed to support the growth ambitions of the new strategic plan.

Housing Properties and Other Fixed Assets

At the end of the year the housing properties and garages had a carrying value of £347.4m (2019 - £320.4m) net of depreciation.

The total number of housing properties owned and managed by the Association at 31 March 2020 was 8,423, including 224 shared ownership properties. Under the Right to Buy provisions 13 properties were sold during the year.

Financial Instruments

The Association does not have any abnormal exposure to price, credit, liquidity and cash flow risks arising from its trading activities. The Association does not enter into any hedging transactions, other than fixed interest rate agreements with the Association's lender, and no trading in financial instruments is undertaken.

The Rules of the Association include the wider powers of treasury management permitting the use of financial derivative products however the Board has undertaken not to utilise these powers until it is satisfied that it has received adequate training and guidance from its professional advisers.

Going Concern

The Board has reviewed the Association's budget for the year to March 2021 and have also considered the impact of the merger with Colne Housing Society, including a full review of both Eastlight stand alone and the proposed joint business plans. They have also considered the impact of COVID19 on its operations and the principal risks identified, including the contraction of the housing market, increased rent arrears, the availability of cash resources, the impact of economic downturn and the consequences of social distancing. Having taken steps to mitigate where possible the impact of these risks, The Board have concluded that there is a reasonable expectation that both the Association and the merged organisation has adequate resources to continue in operational existence for the foreseeable future. Therefore, the financial statements have been prepared on a going concern basis.

RISK AND UNCERTAINTY

The Association maintains a strategic risk register to enable the Board to monitor and manage identified risks. The Board has identified the following key risks to the achievement of the Association's strategic objectives.

Risk	Comment	Mitigation
Income Performance	*Failure to achieve the growing programme of development for shared ownership sale.*	Robust policies and procedures in place. Leadership Team, Board and Home Committee (since 1 July 2020 titled Investment Committee) also monitor performance at each meeting.
Government Policy Changes	*The inability to respond and deal with potential Governmental Policy changes leading to the long and short term business plans being unachievable which could result in regulatory intervention and possible fines.*	A range of methods are used to mitigate the changes made following Government Policy Changes, these include regular and appropriate stress testing and Horizon Scanning.
Safety	*Inability to manage regulatory and statutory compliance areas and manage/implement the appropriate measures in a possible major safety event that could affect staff, residents and Greenfields assets.*	Robust policies, procedures and training are in place. Performance is closely monitored and a Health & Safety Committee is established within the business.
Cyber/Data Security & Compliance	*Failure to safeguard the privacy rights of individuals and prevent/manage personal or confidential data breaches.*	Robust policies, procedures and training are in place for the wider business. Following best practices for compliance whilst including 3rd party advisors helps to mitigate this risk. Performance measures for this are also monitored on a monthly basis.
Development	*Inability to identify opportunities in development through poor partnerships, lack of monitoring external factors or a change to the housing market leading to a loss in strategic position, negative stakeholder perceptions, poor scheme performance & impairment and failure to continue to grow our property portfolio.*	Robust scheme appraisals are completed before contracting and schemes are managed either inhouse or by appointed employer's agents. The programme is monitored by the Home Committee (since 1 July 2020 titled Investment Committee).
Engagement	*A lack of effective stakeholder relationship management and the inability to measure/monitor engagement that could lead to a lack of opportunity for residents around the business leading to an increase is dissatisfaction.*	Robust policies, processes and procedures in place with effectiveness being monitored on a monthly basis.
Financing	*Insufficient funding available to meet business operating or investment requirements. Can arise from general funding market issues or local facility issues such as security or covenant compliance; may also include loss of a working capital deposit / investment.*	Treasury management policy and procedures in place. Frequent monitoring of cashflows and covenants are also completed.
Growth(Including acquisition and merger)	*Inability to identify and/or deliver opportunities of sustainable growth which could result in missed strategic opportunities and damage to reputation within the sector.*	Regular Stress testing with appropriate strategies and frameworks in place help to monitor and progress our position within the housing sector.
Governance	*A weakness in the effectiveness of our governing body structure and arrangements and its interaction with management, caused by a lack of clear information, inability to appoint members with sufficient skills and experience and poor training and development could lead to poor strategic direction and oversight of the business and a damage to reputation and relationships with stakeholders and regulator*	Suite of governance policy and procedures in place. Internal and External effectiveness reviews help to mitigate any issues.
Fraud and Financial irregularity	*Failure of procedures or controls, leads to a financial loss through fraud, collusion, money laundering or similar activity.*	Robust policies, processes and procedures in place to help maintain/raise the profile of fraud awareness within the business.
Recruit and Retain the Right People	*Inability to manage and lead the current workforce and effectively recruit the new people which could lead to a lack of Skills, Knowledge and Experience within Greenfields. This could also lead to the loss of key staff and an increasing difficulty in attracting new talent.*	Appropriate recruitment policies and procedure framework in place with a Training & Development programme to help grow skills and knowledge. Employee surveys help to capture employee views within the business and monitor trend in issues.

Internal control risks are regularly and routinely tested by management and internal audit. Any recommendations are presented to Audit and Risk Committee and action plans are developed and monitored to address these. Further explanation of our internal controls and assurance can be found in the statement of internal controls assurance.

GOVERNANCE

Code of Governance

Under the Regulatory Framework the Board is required to select and comply with a published Code of Governance. The Board has chosen to adopt the Code of Excellence in Governance published by the National Housing Federation in 2015 as its code of governance. The Board considers that this Code is the most appropriate for the Association taking into account its size, corporate structure, community gateway principles and the nature of its activities and is compliant with the code in all material respects. The Board has also chosen to adopt the NHF Code of Conduct.

During the year the Regulator published a revised Regulatory Judgement with a regrading of Governance to G1 and a confirmation of Viability at V1, the highest gradings.

The Board

The Board comprises 10 members, including up to 2 co-optees. Appointments to the Board are now made solely on the basis of carefully assessed skills, knowledge and experience, to match the profile of our future business and commercial objectives. Three places on the Board are available to appropriately skilled residents.

All Board Members can apply to become shareholders of the Association. The Board members are drawn from a wide background bringing together professional, commercial and local experience. The Board undertakes an annual review of skills and experience and continually aims to strengthen and enrich this when seeking new Board members.

The Board also undertakes an annual review and self-assessment of its performance and that of its Committees. An individual annual appraisal is undertaken of all Board Members and the Chair. An independent review of governance and Board effectiveness was undertaken during the year by Campbell Tickell which the Board agreed and implemented a plan to address recommendations arising from it.

One third of the Board members retire by rotation each year and may be re-appointed by the Board subject to the skills, knowledge and experience required by the Association for a maximum term of office of nine years.

The Chair is appointed annually by the Members of the Board. During the year the Board agreed to create a position of Senior Independent Director to support the Chair. The Senior Independent Director will also act as an independent point of reference for board members.

The Board is the main decision-making body of the Association. It is responsible for the Association's continuing strategy and policy framework. The Board makes policy decisions and ensures that the Association's affairs are managed efficiently, effectively and economically and in accordance with appropriate legislation, rules and regulations. It delegates day to day management and implementation of that framework to the Chief Executive and the other Executive Directors.

The Board has the power to co-opt up to two additional members of the Board or a Committee to meet specific skills, knowledge and experience requirements. The Board also has the power to appoint Committees and to delegate powers and responsibilities to Committees, other working groups or employees of the Association.

The Board meets six times a year for formal business. Other specific or special meetings take place as required, as well as two strategic awaydays.

The ultimate responsibility for all decisions of the Association rests with the Board.

Members of the Association

As a community gateway association, residents are entitled to become shareholders.

Shareholders are entitled to attend and vote at general meetings of the Association. The Board is committed to promoting shareholding membership of the Association as a fundamental element of community gateway principles.

The Board has delegated authority for the agreement of applications for membership of the Association to the Executive Directors. The detailed arrangements regarding shareholding membership are set out in the Rules of the Association.

Committees

Each of the committee's act within the authority delegated by the Board and recorded in the terms of reference or will make recommendations to the Board where no delegated responsibility exists.

Audit and Risk Committee - considers the appointment of internal and external auditors, the scope of their work and receives reports from them and from management. It is responsible to the Board for the review of risk management practice and internal controls and reports to the Board on the effectiveness of these arrangements.

Governance, Nomination and Remuneration Committee - considers the recruitment and development of the Board and its committees. It also considers remuneration and terms of service for Executive Directors. The remuneration of the Chief Executive is a matter reserved for the Board.

Home Committee (since 1 July 2020 titled Investment Committee**)** - considers the Association's strategy and plans for development and acquisition of new housing. The Committee also considers asset management and repairs and maintenance.

The terms of reference for each Committee are reviewed and agreed annually by Committee and Board.

Executive Directors

The Executive Directors of the Association who served during the year are listed on page 3. The Executive Directors are led by the Chief Executive and act within the authority delegated by the Board.

Remuneration of Board Members

Board remuneration was introduced by Greenfields in August 2018 to enable the Board to attract and retain the skilled individuals that it requires as board members.

The Board Members are entitled to claim reasonable reimbursement for travel, subsistence and similar expenses incurred in undertaking their duties as Board Members.

Remuneration of Executive Directors

The remuneration of Executive Directors (except the Chief Executive) is the responsibility of the Governance, Nomination and Remuneration Committee. The Committee recommends the terms of remuneration of the Chief Executive for approval by the Board.

The Association's policy is to pay close attention to remuneration levels in the sector in determining the remuneration packages of the Executive Directors. Basic salaries are set having regard to each Executive Director's responsibilities and pay levels for comparable positions.

Two of the Executive Directors of Eastlight (previously Greenfields) are members of the Essex County Council Pension Scheme, a defined benefit final salary scheme. They participate in the scheme on the same terms as all other eligible employees. The Association contributes to the scheme on behalf of its employees.

The Executive Directors are also entitled to the payment of a cash allowance in lieu of a car.

The Chief Executive and other Executive Directors are employed on specific service agreements and their notice periods are six months.

Directors' Indemnity

The Association has arranged Directors' and Officers' indemnity insurance.

VALUE FOR MONEY

We are committed to providing excellent services that offer real value for our residents and customers. Our Building Communities Together Plan includes the clear and firm commitment that we will provide exceptional flexible services that offer excellent value for money. We believe that social value is what our business is all about.

It enables us to provide opportunities, increase aspirations and improve the quality of life for our residents and communities. Social value is at the heart of community based organisations such as Eastlight, we understand that social value is about "doing the right things", whereas value for money is about "doing things right".

The Board publishes a separate annual report setting out our Value for Money progress and achievements, planned actions and performance for the year. The report is published on Eastlight website www.EastlightHomes.co.uk

Governance of Value for Money

Ultimate responsibility for ensuring that Eastlight provides value for money (VFM) rests with the Board. Quarterly, the Board receives a corporate scorecard and a financial management report. Both highlight performance across a range of indicators, activity on VFM initiatives and social value activity.

Strategy

We set out our strategic approach to value for money and social value in each of our strategies. We believe this is more effective than having a separate VFM strategy document as it embeds achieving value as a key principle of everything that we do and emphasises that everyone has a responsibility to help achieve this and we believe that this has been effective in securing improved value for our residents.

The strategic value for money target is for all of our core services to deliver above median performance, whilst maintaining the costs of delivery at below average.

We track performance against this strategy using Housemark comparisons against our peer group.

The Board continues to recognise that addressing housing need is a significant objective for the sector and have agreed to prioritise investment into new housing supply across tenure types.

The strategic focus for the Board in this year has been on the merger of Greenfields with Colne Housing Society to Unlock Eastern Potential and provide the capability and capacity to deliver bigger, bolder, better outcomes for the future. We expect this to provide the ability to deliver 1,300 more homes than the original combined plans and support greater investment in homes and communities. Future efficiencies and savings are expected in core maintenance and improvement activities.

Driving Improved Value for Money

The Assets team continues to use a performance appraisal tool called the Asset Investment Model (AIM). This tool uses up to date survey, financial and social deprivation indices to evaluate overall stock performance. It allows for quick assessment of different approaches to individual or groups of assets. This helps drive asset investment decisions and these ratings are considered when reviewing stock performance.

If properties are disposed of, for whatever reason, this is now typically through open market sale to achieve the best value and we have agreed with Braintree District Council to retain the full disposal proceeds and to reinvest this in other properties that better meet housing need in the district.

Value for Money Metrics

The Regulator, through the Value for Money Standard has introduced a set of performance metrics to enable consistency and accuracy of reporting and benchmarking of Value of Money information.

Our performance is shown in the table below.

VFM performance is compared against a peer group of similar organisations. We have selected a group of 9 other providers registered within the East Region and owning between 5,000 to 12,000 homes. All of these organisations carry out predominantly general needs housing activities and are considered by the Board to be a relevant and appropriate peer group for comparison.

The comparable data has been extracted from the Global Accounts data compiled by the Regulator of Social Housing for the year to March 2019. The peer group data shown in the table is the median of the peer group, including Greenfields. The analysis also shows Greenfields ranking against those peers for the same period.

VFM Metric	Peer Median 2018.19	Peer Rank 2018.19	Actual 2018.19	Forecast 2019.20	Actual 2019.20	Forecast 2020.21
Metric 1 – Reinvestment	7.0%	5	7.2%	9.0%	9.6%	10.0%
Metric 2 - New supply % - social	1.8%	4	2.5%	2.3%	2.4%	2.6%
New supply delivered: absolute – social	155	3	203	190	204	221
Metric 3 – Gearing	55.4%	2	41.4%	37.6%	41.5%	41.3%
Metric 4 - EBITDA MRI (as % of interest)	189.4%	1	287.0%	269.9%	256.2%	262.4%
Metric 5 - Headline social housing cost per unit	£3,291	1	£2,761	£3,073	£3,177	£3,266
Metric 6 - Operating Margin (Overall)	31.6%	2	35.8%	35.7%	33.4%	36.5%
Metric 6 - Operating Margin (Social Housing Lettings)	33.4%	2	39.7%	34.0%	36.7%	37.8%
Metric 7 - Return on Capital Employed (ROCE)	4.1%	2	4.8%	4.7%	4.2%	4.7%

In the interest of fair and meaningful comparison, the forecast for 2020-21 is on a Greenfields stand alone basis, utilising the agreed annual budget prior to merger. This comparison shows that Greenfields compares favourably with the peer median.

Reinvestment is above peer median and is mainly the result of investment in new homes, this is also borne out by the increase in new supply – social and absolute.

Gearing remains in a strong position, demonstrating the capacity available to further support the development programme and investment in new homes.

Cost per unit has increased this year following the asset management review in 2018-19. The number of kitchens, bathrooms, heating and rewires remained in line with 2018-19, but we invested in an additional 51 roofing projects during the year.

A detailed peer comparison shown below:

	Stock Numbers	Reinvestment	New Supply Delivered	Gearing	EBITDA MRI	Headline Cost per Unit	Operating Margin		ROCE
							SHL	Overall	
		Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 6		Metric 7
Greenfields 19-20	8,423	9.6%	2.4%	41.5%	256.2%	3,177	36.7%	33.4%	4.2%
Greenfields 18-19	8,258	7.2%	2.5%	41.4%	287.0%	2,761	39.7%	35.8%	4.8%
Peer Group									
ALDWYCK	9,914	7.7%	0.5%	62.1%	124.1%	3,715	36.6%	35.1%	3.8%
BROADLAND	5,069	8.9%	1.4%	53.1%	135.5%	3,357	27.9%	27.2%	2.5%
CHORUS	6,714	1.7%	0.0%	67.0%	104.8%	3,034	45.2%	40.0%	3.6%
CHP	9,370	8.8%	3.3%	63.2%	143.9%	3,185	31.3%	30.8%	3.2%
FREEBRIDGE	6,811	6.1%	1.1%	38.4%	421.7%	3,074	22.8%	23.4%	6.4%
GRAND UNION	11,799	7.1%	2.5%	45.6%	175.9%	3,397	34.1%	35.3%	4.1%
HAVEBURY	6,569	11.1%	3.3%	54.0%	154.6%	3,421	33.2%	31.2%	4.1%
SAFFRON	6,394	5.4%	2.8%	60.6%	125.8%	3,260	32.3%	31.6%	3.8%
SETTLE	8,575	6.4%	1.6%	58.6%	207.1%	3,811	31.7%	29.5%	4.8%

For those in the peer group of the closest size, between 8,500-10,000 units, Greenfields out performed all but one in both Social Housing Lettings operating margin and overall operating margin, with return on capital employed also well placed within the group. When taking these results in conjunction with cost per unit and reinvestment metrics, it illustrates the ability to grow and invest in our properties whilst driving value for money and maintaining a strong financial position.

We believe that, whilst making sure we "do more with less" is imperative, this should not be at the cost of customer satisfaction. This year 82% of customers rated our service 5 out of 5 through our customer feedback channel Rant and Rave. Also, on average over 90% of calls through our call customer service centre were resolved first time.

We also maintained a 100% statutory compliance record, with over 85% of maintenance and repairs jobs completed on the first visit and 98% of appointments made and kept.

During the year, we appointed an external advisor to benchmark our in-house repairs and maintenance teams. The result of this review demonstrated that the cost of delivering kitchens, bathrooms, electrical inspections and boiler replacement, where all between lower and median quartile. This is also true of both timescale and costs in relation to void performance.

In a drive to focus on our homes' energy efficiency and our aim to reduce our customers fuel costs, we set a SAP rating target. As we had met the original target during the year, we set a tougher target of 69.5. We did not achieve this,but did achieve 69. We will continue to drive performance in this area and the Energy Efficiency, Fuel Poverty and the Carbon Neutral agenda will form a key part of Eastlight's Asset Management Strategy.

Social Housing Cost per Unit Analysis

The Regulator continues to focus on operating costs and has calculated and published headline costs per unit derived from the annual accounts submitted by housing providers.

The continued review and innovation of service delivery has enabled Greenfields to reduce costs in many service areas, whilst maintaining a high rate of customer satisfaction.

The Peer Group data shown below is for the same peer group of 9 organisations described above.

Element	Peer Median 2018.19	Actual 2018.19	Actual 2019.20	Forecast 2020.21
Management	£989	£1,065	£1,133	£1,081
Service Costs	£399	£152	£139	£128
Maintenance	£1,034	£759	£899	£848
Major Repairs	£642	£671	£850	£1,001
Other	£292	£115	£156	£208
Total	£3,356	£2,761	£3,177	£3,266

Through our procurement service, we negotiated contracts that delivered savings of £120k (£15 per unit) including grounds maintenance that began in January 2019 and insurance savings that will start from April 2020.

Management costs did increase this year and are a result of the Board's decisions to strengthen the management structure in preparation for growth and further investment in IT infrastructure, that facilitated the move to agile working. Both helped ensure the continuity of services during the lockdown and will continue to deliver benefits into the future.

Reinvestment of VFM Gains

The Board has set out its intention to focus investment of surplus funds into the growth of new housing. The Board also secured new funding to enable it to utilise and leverage the asset strength to support the growth ambition.

In the year we completed 204 new homes, 136 for affordable rent and 68 for shared ownership. We also signed development agreements with a number of developers. The future committed programme from April 2020 comprises 509 new homes and we continue to explore opportunities to increase this pipeline both with our developer partners and on our own land assets or land opportunities.

For each site, Home Committee (since 1 July 2020 titled Investment Committee) are presented with new development options including shared ownership, affordable rent, social rent and possibly disposal for third party development. Committee are then able to consider and agree a preferred development approach considering housing need and financial performance.

Social Value

Social value investment is a key feature of the ethos of Greenfields, and will be taken forward into Eastlight. The Board supported a number of social value activities during the year, including:

- Awarded over £108,000 in grants to local community and voluntary groups.
- Created a Hardship Fund of £20,000 and helped 48 households in need.
- Residents gained £467,398 following benefits advice (excluding Universal Credit)
- 259 support visits carried out with residents aged 55+ living in our general needs properties to help them retain their independence.
- 60 Community Improvements funded with £50,207
- 478 residents benefited from aids and adaptations: £363,126 invested
- Holding 9 'Make a difference' days; volunteer events designed to have an immediate impact of a local community.
- Delivered 31 Christmas hampers and held a Christmas pantomime.
- Provided training for involved residents to develop skills and enable them to participate more.

We publish a "More than a Landlord" social value report annually that details our investment over the year and this is available on the website.

We retain a strong focus on our tenants' well-being and work closely with area forums to support local area needs. The three area resident groups have a combined local budget of £60k to allocate to qualifying local initiatives and this year completed three physical local action plans in three areas and three social action plans to tackle social isolation, drugs and alcohol and pride in community project.

Future strategy for Value for Money and Social Value

With over 12,000 homes, 300 employees and £68m turnover, Eastlight will do more, extending our reach, efficiency, effectiveness and impact. We will invest more in developing a broader, deeper service offer with our residents and communities while building many more genuinely affordable homes every day for those who need them.
Our top three gains within 5 years are:

- £130m invested in our existing homes and the financial capacity and resource for up to 3,800 new home starts on site (an additional 1,300 homes via our merger)
- £1.75m resource investment to empower our residents and communities to improve lives and enable independent living (an additional £550k via our merger)
- Improved VFM, efficiency and capacity release. Together we are stronger financially; more resilient and better able to cope with downside risk; positioned for sustainable growth

We operate in an area of high housing need and demand, with strong long term housing markets. There is significant opportunity to deliver a step change in the level and range of social and affordable rented homes. The current strategic plan for North Essex includes new homes in garden settlements, between Stansted and Harwich over the next 30+ years. Our community gateway model is a value proposition for stewardship and affordable new home delivery within the North Essex Garden Settlements.

Our financial capacity will enable the delivery of the new home programme described over the next five years, with sustained delivery beyond 2025. We are in a strong position to deliver our 5 year ambition.

Our aim is for residents to feel at home in their community, rather than seeing just a place to live. Our model builds diversity by bringing people together to act on common concerns in their communities, and it supports equality by offering a stable base, with access to help where needed for older and vulnerable people.
We are a 'Placeshaper' community invested organisation, and this is routed in our culture, ethos, and ambition. We will deliver meaningful Resident Involvement that has a clear focus on scrutiny, influence and place shaping, this includes:

- Recruitment - Trained residents sit on panels for customer-facing roles, plus the recruitment of executive and Board members
- Complaints - Residents can ask for their case to be heard by a panel, which will include one resident
- Procurement - Involved residents sit on panels for tenders worth more than £500,000 or for work in the home or community
- Community improvements – Area based Residents' Groups have budgets for improvements suggested by residents, schools, parish councils, staff or others

This approach will create opportunities and benefits for our current and future tenants, our communities and our organisation, and will operate in an environment of mutual trust and respect, creating a culture that is inclusive and diverse in terms of ideas and challenge.

Our pledges include increasing our community investment to £1.75 million over the next five years.

STATEMENT ON INTERNAL CONTROLS ASSURANCE

Responsibility

The Board, as the ultimate governing body, is responsible for the system of internal control, which is designed to provide reasonable assurance regarding:-

- the safeguarding of assets against unauthorised use or disposal; and
- the maintenance of proper accounting records and the reliability of financial information used within the business or for publication

Key procedures have been established and are designed to provide effective internal control. These key areas cover control, reporting information systems, monitoring and risk management.

Review of internal controls

We have reviewed the effectiveness of the system of internal control, including the sources of assurance agreed by the Board, as being appropriate for that purpose. On the basis of the evidence provided, we are satisfied that there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year. We are also satisfied that those systems were aligned to an ongoing process for the management of the significant risks facing the Association. No significant weaknesses were identified which the Board considers may have resulted in material misstatement or loss and which would have required disclosure in the financial statements.

Control environment and key controls

The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority. These are set out in the Association's Terms of Reference, Standing Orders, Financial Regulations, Scheme of Delegated Authority and detailed operational procedures. These delegations and authority levels are reviewed regularly.

Key control processes, which are reviewed annually and revised where necessary, include strategic business planning, the recruitment of experienced executive directors and senior staff, regular performance monitoring, control over capital investment projects and the setting of standards and targets for health and safety, data protection, whistleblowing and confidential disclosure, fraud prevention and detection, and environmental performance.

Procedure manuals are maintained for the main functions and service areas.

The Board is satisfied that necessary action is taken to address any significant failings or weaknesses identified by the Association.

Information and reporting systems

The Association has developed a system of financial reporting. The Annual Budget and Business Plan are approved by the Board. Actual results are reported against budget quarterly to the Board with any significant variances being reported together with explanations. The current borrowing and cashflow forecast position and compliance with lending covenants is also reviewed quarterly by the Board.

In accordance with regulatory and funding requirements, periodic financial returns are submitted to the Regulator of Social Housing and to the Association's bankers and principal lenders. There are regular meetings of the Executive Management Team to review and monitor revenue and capital spending against budget assumptions. Cash balances are checked daily, coupled with revised forecast of borrowing requirements at regular intervals as necessary. There are a number of annual reports on other functions to either the Board or a designated Committee; these include insurance arrangements and treasury management.

Monitoring System

The control system is monitored by internal audit. This is out-sourced to a specialist service provider and is reviewed regularly. The internal auditors have produced an annual report on completion of the programme of work for the year to March 2020 that concluded that the Association has an adequate and effective framework for risk management, governance and internal control. Their work identified further enhancements to the framework of risk management, governance and internal control to ensure it remains effective.

A three year Audit Needs Assessment has been completed and an annual plan is agreed which is focused on the areas of greatest risk to the Association. Monitoring is also undertaken by the Executive Directors and senior managers.

Fraud

The Association has in place policies in respect of preventing, detecting and investigating fraud. We are aware of an increasing number of attempts to fraudulently obtain funds electronically. No material loss has been incurred by the Association in the year. The Board is satisfied that the controls in place effectively manage the risk of fraud.

Risk Management

The Board receives and considers information on key risks as a specific report to each Board meeting.

The Board has agreed a risk management framework which sets out the approach for identifying, monitoring and managing current and emerging risks to the business. The Board has determined its appetite for risk across the business and has adopted a range of financial golden rule measures to enable it to monitor risk exposure. The Board undertakes regular stress testing of the business plan to the key strategic risks.

The Executive Directors have immediate responsibility for identifying risks facing each of the areas in which they operate and for putting in place procedures to mitigate and monitor risk. The strategic risk assessment is reviewed and updated every two months by the Executive Directors for consideration by the Board and Audit Committee. All projects and reports to the Board and Committees include an analysis of the relevant risks and of mitigating actions.

Statement of Compliance - Governance and Financial Viability Standard

As a Registered Provider Greenfields is required to comply with the Regulatory Framework published by the Regulator of Social Housing.

The Regulator of Social Housing has regraded the Association to G1 up from a previous G2 rating issued in 2018

Our financial viability is rated as V1, the highest compliant rating.

The Board considers the Association to be compliant with the Governance and Financial Viability Standard in all material respects.

Statement of The Board's Responsibilities In Respect Of The Financial Statements

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 reasonably 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 which disclose, with reasonable accuracy at any time, the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 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.

Disclosure of Information to The Auditors

We, the members of the Board who held office at the date of approval of these Financial Statements as set out above, confirm, so far as we are aware, that there is no relevant audit information of which the Association's auditors are unaware; and we have taken all the steps that we ought to have taken as Board members to make ourselves aware of any relevant audit information and to establish that the auditors are aware of that information.

In preparing the strategic report the Board has followed the principles set out in the Statement of Recommended Practice for Social Housing Providers (Housing SORP 2018).

The Strategic Report was approved on 18 September 2020 and signed on its behalf by:

Hattie Llewelyn-Davies, Chair

Opinion

We have audited the financial statements of Eastlight Community Homes Limited (the Association) for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes to Reserves, 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 2020 and of its 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 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

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

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

Other information

The other information comprises the information included in the Strategic 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 requires us to report to you if, in our opinion:

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

As explained more fully in the Statement of Board's Responsibilities set out on page 18, 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 material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

Beever and Struthers

Beever and Struthers
Chartered Accountants
Statutory Auditor

15 Bunhill Row
London
EC1Y 8LP

Date: 21 September 2020

	Note	2020 £'000	2019 £'000
Turnover	*3*	**48,016**	47,618
Cost of Sales	*3*	**(2,979)**	(3,446)
Operating expenditure	*3*	**(28,979)**	(27,121)
(Deficit)/Surplus on disposal of property, plant and equipment	*4*	**(292)**	288
Operating surplus	*3*	**15,766**	17,339
Finance income	*5*	**237**	267
Interest and financing costs	*6*	**(6,355)**	(6,560)
Surplus before tax		**9,648**	11,046
Taxation	*10*	**-**	5
Surplus for the year		**9,648**	11,051
Other Comprehensive Income			
Actuarial gain in respect of pension schemes		**1,014**	1,061
Total comprehensive income for the year		**10,662**	12,112

The financial statements on pages 22 – 51 were approved and authorised for issue by the Board on 18 September 2020 and were signed on its behalf by:

H Llewelyn-Davies.

Hattie Llewelyn-Davies
Chair

Charanjit Patel
Board Member and
Chair of Audit & Risk Committee

David Hall
Executive Director Resources &
Secretary

The Statement of Comprehensive Income relates wholly to continuing activities and the notes on pages 27 to 51 form an integral part of these financial statements.

Eastlight Community Homes Limited
Statement of Financial Position at 31 March 2020

	Note		2020		2019
	Note	**£'000**	**£'000**	£'000	£'000
Fixed Assets					
Intangible assets	*11*		**82**		72
Housing properties	*12*		**347,402**		320,425
Other property, plant and equipment	*13*		**5,508**		5,383
Investments	*14*		**-**		-
			352,992		325,880
Current assets					
Inventories	*15*	**5,381**		2,823	
Debtors due in less than one year	*16*	**1,784**		1,352	
Debtors due in more than one year	*16*	**4,656**		5,024	
Investments	*17*	**5,649**		13,721	
Cash		**11,689**		23,371	
		29,159		46,291	
Creditors: amounts falling due within one year	*18*	**(8,365)**		(8,488)	
Net current assets			**20,794**		37,803
Total assets less current liabilities			**373,786**		363,683
Creditors: amounts falling due after more than one year	*19*		**(166,214)**		(166,347)
Defined benefit pension liability	*21*		**(4,946)**		(5,372)
Net assets			**202,626**		**191,964**
Capital and reserves					
Called up share capital	*23*		**1**		1
Revenue reserve			**101,998**		90,545
Revaluation reserve			**97,641**		98,432
Restricted reserve			**2,986**		2,986
			202,626		191,964

The financial statements on pages 22 – 51 were approved and authorised for issue by the Board on 18 September 2020 and were signed on its behalf by:

H Llewelyn-Davies.

Hattie Llewelyn-Davies
Chair

Charanjit Patel
Board Member and
Chair of Audit & Risk Committee

David Hall
Executive Director Resources &
Secretary

The notes on pages 27 to 51 form an integral part of these financial statements.

Eastlight Community Homes Limited
Statement of Changes to Reserves for the year ended 31 March 2020

	Restricted Reserve CHIP Fund £'000	Uncalled Share Capital £'000	Restricted Reserve Social Housing Proceeds £'000	Revaluation Reserve £'000	Revenue Reserve £'000	Total £'000
At 1 April 2018	1,494	1	-	99,653	78,704	179,852
Surplus for the year	-	-	-	-	11,051	11,051
Grants made from fund	(446)	-	-	-	446	-
Interest earned	13	-	-	-	(13)	-
Social housing proceeds	-	-	458	-	(458)	-
Disposal Proceeds Fund	-	-	-	-	-	-
Depreciation on Deemed Cost Uplift	-	-	-	(594)	594	-
Transfer between reserves	1,467	-	-	(627)	(840)	-
Actuarial gain on pension scheme	-	-	-	-	1,061	1061
At 31 March 2019	**2,528**	**1**	**458**	**98,432**	**90,545**	**191,964**
Surplus for the year	-	-	-	-	9,648	9,648
Grants made from fund	-	-	-	-	-	-
Interest earned	-	-	-	-	-	-
Social Housing Proceeds	-	-	-	-	-	-
Disposal Proceeds Fund	-	-	-	-	-	-
Depreciation on Deemed Cost Uplift	-	-	-	(602)	602	-
Transfer between reserves	-	-	-	(189)	189	-
Actuarial gain on pension scheme	-	-	-	-	1,014	1,014
At 31 March 2020	**2,528**	**1**	**458**	**97,641**	**101,998**	**202,626**

The notes on pages 27 to 51 form an integral part of the financial statements.

	Note	£'000	2020 £'000	£'000	2019 £'000
Net cash generated from operating activities	*A*		**18,673**		26,787
Cash flows from investing activities					
Purchase of property, plant and equipment		**(32,291)**		(21,489)	
Grants received		**657**		331	
Interest received		**237**		267	
Net cash flows from investing activities			**(31,397)**		(20,891)
Cash flows from financing activities					
Interest paid		**(7,030)**		(7,093)	
Tax Paid		**-**		5	
New loans		**-**		-	
Repayment of borrowings		**-**		-	
			(7,030)		(7,088)
Net cash flows from financing activities					
Net increase/(decrease) in cash and cash equivalents			**(19,754)**		(1,192)
Cash and cash equivalents at beginning of year					
Cash		**23,371**		5,326	
Current Asset Investments		**13,721**		32,958	
			37,092		38,284
Cash and cash equivalents at end of year					
Cash		**11,689**		23,371	
Current Asset Investments		**5,649**		13,721	
Cash and cash equivalents at end of year			**17,338**		37,092

Note A

	2020	2019
	£'000	£'000
Operating surplus	**15,766**	17,339
Depreciation	**5,939**	6,628
Amortisation of intangible assets	**35**	25
Amortisation of Government grant	**(47)**	(43)
(Increase) / Decrease in inventories	**(2,559)**	1,080
(Increase) / Decrease (Increase) in debtors	**(63)**	77
(Decrease) / Increase in creditors	**(866)**	1,287
Pensions movements	**468**	394
Net cash inflow from operating activities	**18,673**	26,787

The notes on pages 27 to 51 form an integral part of the financial statements.

Note 1 – Legal Status

Eastlight Community Homes Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 (registration number: 30124R) and is registered with the Regulator for Social Housing as a Private Registered Provider of Social Housing (registration number: L4499). The registered office is Greenfields House, Charter Way, Braintree, Essex, CM77 8FG.

As a public benefit entity, Eastlight Community Homes Limited has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

Note 2 – Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year. A summary of the more important accounting policies is set out below. The Board is satisfied that the current accounting policies are the most appropriate for the Association.

General information and basis of accounting

The financial statements have been prepared under the historical cost convention, modified where appropriate, to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2018 (SORP), the Housing and Regeneration Act 2008, the Accounting Direction for private registered providers of social housing 2019 and the requirements of the Co-operative and Community Benefit Societies Act 2014.

Following the Transfer of Engagements of Colne Housing Society Limited to Greenfields Community Housing Limited in accordance with Section 110 of the Co-operative and Community Benefit Societies Act 2014 on 1 July 2020, the assets, liabilities, operations and future obligations of Colne Housing Society have transferred to Greenfields Community Housing Limited. The activities of Colne Housing Society Limited and Greenfields Community Housing Limited has operated as Eastlight Community Homes Limited ("Eastlight") since 1 July 2020. The Board have made enquiries and considered the business plan of Eastlight in this respect.
The Board have also considered the impact of COVID19 on its operations, the principal risks identified and the steps taken to mitigate where possible the impact of these risks. They have concluded that there is a reasonable expectation that Eastlight has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and financial statements are signed. For this reason, Eastlight adopts the going concern basis in the financial statements.

Accounting convention

The financial statements have been prepared under the historical cost convention or deemed cost for assets held at the date of transition to FRS 102 and on a going concern basis.

Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids) and disposal proceeds of current assets such as shared ownership first tranche sales at completion together with revenue grants from local authorities and other bodies and amortisation of government grants, and income from other services invoiced in the year (excluding VAT).

Turnover is recognised on an accruals basis. Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion.

Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Interest payable and loan finance issue costs

Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue. Loan interest costs are calculated using the effective interest rate method of the difference between the loan amount at initial recognition and the amount at maturity of the related loan. Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development. Other interest payable is charged to the Statement of Comprehensive Income in the year.

Loan finance issue costs are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised.

Value added tax

The Association charged 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 & Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Corporation tax

The Association is registered as a charity with HM Revenue & Customs and is not subject to corporation tax on its income. Should the Association become liable for corporation tax it will be calculated at the rate applicable on any surplus it generates from non-charitable activities.

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income or expense recognised directly in reserves is also recognised directly in reserves.

Intangible Assets

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

Computer software - 5 years

Property, plant and equipment - housing properties

Housing properties are properties available for rent and properties subject to shared ownership leases.

Completed housing properties for rent or shared ownership are stated at cost or deemed cost for assets held at the date of transition to FRS 102, less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings (allocated on a pro-rata basis for mixed tenure developments), directly attributable development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements. Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to the bringing the property into their intended use.

Capitalisation of development costs ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Improvements are works which result in an increase in the net rental income, including a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only direct expenditure and direct overhead costs associated with new developments or improvements are capitalised. Other improvements and maintenance expenditure are expensed to the Statement of Comprehensive Income as incurred.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight-line basis, over their useful economic lives. Freehold land is not depreciated. Where housing properties comprise two or more major components with substantially different useful economic lives, each component is accounted for separately for depreciation purposes and depreciated over its individual useful economic life.

Depreciation on freehold housing properties is charged as follows

Structural Works	-	100 years
Insulation	-	50 years
Sheltered Remodeling	-	50 years
Roofing	-	40 years
Windows	-	35 years
Doors	-	35 years
Bathrooms	-	35 years
Rewiring	-	30 years
Central Heating	-	30 years
Estate Works	-	30 years
Fire Systems	-	30 years
Kitchens	-	25 years
Renewable Energy	-	20 years
Lifts	-	20 years
Boilers	-	15 years
Digital TV Installations	-	10 years
Closed Circuit Television	-	7 years

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Shared ownership property sales

Shared ownership properties, including those under construction, are split between fixed assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche disposal, which is shown on initial recognition as a current asset, with the remainder classified as a fixed asset within property plant and equipment.

Proceeds from the first tranche disposals are accounted for as turnover in the Statement of Comprehensive Income in the period in which the disposals occur and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.

Sale of housing properties

The sale of properties under the Right to Buy or Right to Acquire schemes are treated as sales of fixed assets and not as properties developed for sale. The surplus or deficit arising on a Right to Buy sale is shown net of the share due to Braintree District Council and after deducting the cost of the properties and related sale expenses. All sales of fixed asset properties are shown as a separate item after the operating surplus in the Statement of Comprehensive Income.

Properties sold at auction

The sale of unsustainable properties at auction are treated as sales of fixed assets and not as properties developed for sale. The surplus or deficit arising is shown after deducting the cost of the properties and related sale expenses. All sales of fixed asset properties are shown as a separate item after the operating surplus in the Statement of Comprehensive Income. The net proceeds of sale of unsustainable properties at auction after deducting allowable expenses are credited to the Social Housing Proceeds Reserve for re-investment in social housing properties with Braintree District Council's consent.

Non-housing property, plant and equipment

Non-housing property, plant and equipment is stated at historic cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all non-housing property, plant and equipment, other than freehold land, at rates calculated to write off the cost less estimated residual value, of each asset on a straight-line basis, over its expected useful life as follows:

Office equipment, fixtures & fittings	-	5 years
Plant & machinery	-	5 years
Computer equipment	-	3 years
Freehold offices	-	40 years

The useful economic lives of all tangible fixed assets are reviewed annually. A full year depreciation charge is provided in the year of acquisition with no depreciation charge provided in the year of disposal of assets.

Impairment

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

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, the Association will determine the level at which impairment is to be assessed (i.e. the cash-generating unit), an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of each asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income.

The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal, Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in the Statement of Comprehensive Income.

Stock

Stock is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price less the cost to complete and sell. Cost is based on the cost of purchase on an average cost basis.

Cash & cash equivalents

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

Current asset investments

Investments are stated at fair value. Current asset investments include cash and cash equivalents invested for periods of no more than three months. They are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the Statement of Comprehensive Income.

Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at the transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Provision for bad debts

The provision for bad debts is based upon the age of arrears. Arrears in respect of former tenants and in respect of current tenants where the debt is over one year old are fully provided for. Arrears which are less than one year old are provided for at varying percentage rates.

Holiday pay

Short term employee benefits, including holiday pay, are charged to the Statement of Comprehensive Income in the period in which they accrue. Holiday entitlement due but not yet taken, is included in the Statement of Financial Position as an accrual within note 18.

This is measured at the undiscounted salary cost of the future holiday entitlement, so accrued at the date of the Statement of Financial Position.

Agreement to improve existing properties (VAT shelter)

As part of the transfer of properties from Braintree District Council the Association entered into a Development Agreement for the refurbishment of the transferred properties.

The full contract income was invoiced on inception of the contract. The full anticipated cost of the contract was incurred on inception of the contract through an increase in the cost of the transferred properties.

At the end of each year the contract is assessed, and an amount of expenditure is recognised in the Statement of Comprehensive Income which represents the value of work carried out during the year. An amount of contract income is recognised in the Statement of Comprehensive Income equivalent to the expenditure such that no surplus or deficit arises. The outstanding amounts of prepaid contract expenditure and deferred contract income are disclosed in notes 16 and 19.

Social Housing Grant and other Government grants

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

Government grants are recognised using the accrual model and are classified as grants relating to revenue or grants relating to assets. Grants relating to revenue are recognised in income over the period in which the costs that the grant relates to are recognised. Grants relating to assets are recognised in income over the expected useful life of the asset. Grants received for housing properties are recognised over the life of the property structure whereas grants received specifically for components are recognised over the life of the component.

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income.

Recycling of grants

Where there is a requirement to repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this as a liability. Where the funding body gives approval to use the grant for a specific development, the amount previously recognised as a provision is reclassified as a creditor in the Statement of Financial Position.

Where there is no obligation to repay the grant on disposal of the asset, any unamortised grant in the Statement of Financial Position is de-recognised as a liability and recognised as revenue in the Statement of Comprehensive Income.

Pensions

The Association has employees in the Local Government Pension Scheme (LGPS) which is a multi-employer defined benefit pension scheme providing benefits based on final pensionable pay. The LGPS was closed to new employees in 2008 other than those with deferred rights. The fund is accounted for under FRS 102. The operating costs of providing retirement benefits to participating employees are recognised in the accounting period in which benefits are earned. The related finance costs expected return on assets and any change in the fair value of the assets and liabilities are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the Statement of Comprehensive Income with any changes in the fair value of assets and liabilities being recognised as Other Comprehensive Income.

The Association also participates in a Defined Contribution Scheme provided by Standard Life. This is the main pension fund and auto-enrolment vehicle for the Association.

Financial instruments

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

Financial assets carried at amortised cost

Financial assets carried at amortised cost comprise rent arrears, and trade and other receivables. Financial assets are initially recognised at transaction price plus directly attributable transaction costs. After initial recognition, they are classified as loans and receivables and measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

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

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

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

Financial liabilities carried at amortised cost

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

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

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

All financial instruments are considered to be basic as defined in section 2 of FRS 102.

Leased assets – operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Restricted reserves

The Association establishes restricted reserves for specific purposes where their use is subject to external restriction. The nature of the restriction is disclosed in the relevant note.

Community Development

The Association has established a Community Housing Investment Partnership (CHIP) Fund under a covenant included within the transfer agreement with Braintree District Council. The Fund is established as a restricted reserve as the use of the Fund is restricted under the transfer agreement. The full amount of grants approved from the Fund are charged to the Statement of Comprehensive Income on approval and shown as a current liability until drawn down by the applicant. Restrictions on the fund are for funding development of new social housing, development of facilities for community benefit, environmental improvements in Braintree, regeneration activities and projects identified in the Annual Strategy, where this is agreed by the Partnership Board.

Movements in reserves are shown in the Statement of Changes in Reserves.

Social Housing Proceeds Reserve

Eastlight and Braintree District Council have an agreement that proceeds for properties sold at auction or through open market sale can be re-invested in full for properties with social or affordable rent with Braintree District Council's consent. These funds are held as a restricted reserve until they are used for this purpose. Movements in reserves are shown in the Statement of Changes in Reserves.

Revaluation reserve

The difference between historical cost depreciation and depreciation charged on the deemed cost balance is transferred from the revaluation reserve to the revenue reserve annually. The revaluation reserve represents the difference on transition between the fair value of the social housing properties and other assets and the historical cost carrying value, where deemed cost transitional relief was taken.

Significant management judgements and key sources of estimation uncertainty

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

The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Valuation of housing properties

On the adoption of FRS102, housing assets were revalued to deemed cost as at 1 April 2014, replacing the previous historic cost valuation.

Impairment of social housing properties

Each year the Association makes an assessment as to whether an indicator of impairment exists. In making the judgement, management consider the detailed criteria set out in the SORP.

Fair value measurement

Management uses valuation techniques to determine the fair value of assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management base the 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 proceeds that would be achievable in an arm's length transaction at the reporting date.

Bad Debt Provision

Provision is made for bad and doubtful debts based upon the age of the debt and using factors recognised in the sector for that purpose.

Other Provisions

Provision is made for dilapidations and redundancy costs. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Defined benefit pension scheme

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

3 - Note A - Particulars of turnover, cost of sales, operating costs and surplus

2020

	Turnover £'000	Cost of Sales £'000	Operating Expenditure £'000	Deficit on disposal of fixed assets £'000	Operating Surplus/ (Deficit) £'000
Social housing lettings (Note B)	**43,287**	**-**	**(27,386)**	**-**	**15,901**
Other social housing activities					
First tranche property sales	**4,498**	**(2,979)**	**-**	**-**	**1,519**
Charges for support services	**-**	**-**	**(13)**	**-**	**(13)**
Development administration	**-**	**-**	**(186)**	**-**	**(186)**
Other	**-**	**-**	**(1,110)**	**-**	**(1,110)**
Activities other than social housing					
Community Empowerment	**-**	**-**	**(284)**	**-**	**(284)**
CHIP Fund	**-**	**-**	**-**	**-**	**-**
Deficit on disposal of fixed assets	**-**	**-**	**-**	**(292)**	**(292)**
Other	**231**	**-**	**-**	**-**	**231**
Total	**48,016**	**(2,979)**	**(28,979)**	**(292)**	**15,766**

2019

	Turnover £'000	Cost of Sales £'000	Operating Expenditure £'000	Surplus on disposal of fixed assets £'000	Operating Surplus/ (Deficit) £'000
Social housing lettings (Note B)	42,283	-	(25,502)	-	16,781
Other social housing activities					
First tranche property sales	5,112	(3,446)	-	-	1,666
Charges for support services	-	-	(13)	-	(13)
Development administration	-	-	(57)	-	(57)
Other	-	-	(882)	-	(882)
Activities other than social housing					
Community Empowerment	-	-	(221)	-	(221)
CHIP Fund	-	-	(446)	-	(446)
Surplus on disposal of fixed assets	-	-	-	288	288
Other	223	-	-	-	223
Total	47,618	(3,446)	(27,121)	288	17,339

3 Note B – Particulars of income and expenditure from social housing lettings

	General Needs Housing	Supported Housing and Housing for Older People	Shared Ownership	Garages	2020 Total	2019 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Rent receivable net of identifiable service charges	**38,587**	**1,615**	**645**	**1,223**	**42,070**	41,180
Service charge income	**454**	**679**	**37**	**-**	**1,170**	1,060
Amortised government grants	**47**	**-**	**-**	**-**	**47**	43
Turnover from social housing lettings	**39,088**	**2,294**	**682**	**1,223**	**43,287**	42,283
Expenditure						
Management	**8,467**	**581**	**272**	**225**	**9,545**	8,793
Service charge cost	**707**	**454**	**6**	**-**	**1,167**	1,253
Routine maintenance	**3,698**	**167**	**4**	**52**	**3,921**	2,956
Planned maintenance	**3,339**	**312**	**-**	**4**	**3,655**	3,308
Major repairs expenditure	**2,547**	**117**	**-**	**377**	**3,041**	2,381
Bad debts	**78**	**4**	**-**	**1**	**83**	158
Depreciation of housing properties	**5,524**	**291**	**159**	**-**	**5,974**	6,653
Operating costs	**24,360**	**1,926**	**441**	**659**	**27,386**	25,502
Operating surplus social housing lettings	**14,728**	**368**	**241**	**564**	**15,901**	16,781
Void losses	**122**	**10**	**-**	**175**	**307**	351

4 Surplus on disposal of property, plant and equipment

	2020 £'000	2019 £'000
Sale Proceeds		
RTB	**232**	499
Shared Ownership	**51**	147
Auction	**-**	528
Repayment of Discount	**-**	5
Other sales	**40**	13
Proceeds	**323**	1,192
Cost of sale		
RTB	**403**	756
Shared Ownership	**57**	78
Auction	**-**	70
Housing Component Disposal	**155**	-
Cost of Sale	**615**	904
	(292)	288

5 Finance income

	2020 £'000	2019 £'000
Bank interest receivable	**237**	267
	237	267

Interest receivable includes £nil in respect of the CHIP Fund (2019: £13,000)

6 Interest and financing costs

	2020 £'000	2019 £'000
Bank loans and overdrafts	**6,940**	7,075
Net interest on defined benefit liability (see note 21)	**124**	144
Other Interest payable	**2**	18
	7,066	7,237
Borrowing costs capitalised	**(711)**	(677)
	6,355	6,560

Borrowing costs on properties during construction have been capitalised based on the weighted average cost of capital of 3.765% (2019: 3.825%).

7 Operating surplus

	2020 £'000	2019 £'000
Operating surplus is stated after charging / (crediting):		
Depreciation of property, plant and equipment	**5,939**	6,628
CHIP Fund distribution*	**-**	446
Amortisation of computer software	**35**	25
Materials expensed in the year	**1,212**	1,097
Operating Lease Payment	**324**	305
Government grants	**(47)**	(43)
(Deficit)/Surplus on disposal of fixed assets	**(292)**	288
Fees Paid to current auditors		
- Statutory audit	**32**	31
- Non-audit services	**2**	-
- Under provision for prior year costs	**3**	38

***In 2020 the remaining 2019 CHIP Fund balance of £446k was allocated to Braintree District Council for use on community projects. The fund is now closed.**

8 Staff costs

	2020 £'000	2019 £'000
Wages and salaries	**8,283**	7,542
Social security costs	**833**	745
Other pension costs	**801**	727
	9,917	9,014

The Full Time Equivalent number of staff, based upon a 37 hour working week, who received emoluments, including pension contributions, in excess of £60,000 were as shown below.

	2020 Number	2019 Number
£60,000 - £69,999	**2**	2
£70,000 - £79,999	**4**	5
£80,000 - £89,999	**5**	1
£90,000 - £99,999	**1**	-
£100,000 - £109,999	**-**	-
£110,000 - £119,999	**1**	1
£120,000 - £129,999	**-**	1
£130,000 - £139,999	**-**	-
£140,000 - £149,999	**1**	2
£150,000 - £159,999	**-**	-
£160,000 - £169,999	**1**	-
	15	12

Average full-time equivalent number of employees was:

	2020 Number	2019 Number
	244	242

The average full time equivalent (FTE) number of employees was calculated taking the average of FTEs in post at the end of each calendar month.

9 Directors' remuneration and transactions

	2020 £'000	2019 £'000
Directors who are executive staff members		
Wages and salaries	**545**	300
Social security costs	**71**	39
Other pension costs	**57**	48
Third Party (Agency Costs)	**62**	174
Board Members		
Fees and expenses		
- Dale Butcher	**10**	7
- Suzanne Wicks	**9**	5
- Emma Keegan	**8**	5
- Charanjit Patel	**7**	-
- Alex Shelock	**4**	3
- David Russell	**4**	2
- Kay Vowles	**4**	2
- Joanne Savage	**4**	2
- Keith Carter	**4**	1
- Flip Hornby	**3**	3
- David Wallis	**2**	1
- Paul Newbold	**2**	-
- Helen Routledge	**1**	5
- Neil Coughlan	**1**	-
- Yvonne Arrowsmith	**-**	5
- Alan Townshend	**-**	2
	798	604

Directors are defined as the members of the Board, the Chief Executive and any other person who is a member of the Executive Management team.

	2020 £'000	2019 £'000
Remuneration of the highest paid director, excluding pension contributions:		
Emoluments	**156**	125
Emoluments	**156**	125

The Chief Executive is an ordinary member of the Association's defined contribution stakeholder type pension scheme. No enhanced or special terms apply.

10 Taxation

	2020 £'000	2019 £'000
UK Corporation Tax on surplus for the year	-	-
Adjustments in respect of prior periods	-	(5)
	-	(5)

A significant proportion of the Association's activities is recognised by Her Majesty's Revenue and Customs as exempt for tax purposes due to their charitable nature and therefore not liable to Corporation Tax on surpluses earned.

The tax assessed for the year is lower than the standard rate of Corporation Tax in the United Kingdom at 19% (2019: 19%). The differences are explained as follows:

	2020 £'000	2019 £'000
Current tax reconciliation:		
Surplus on ordinary activities before tax	9,648	11,046
Surplus multiplied by 19% (2019: 19%) the standard rate of UK Corporation Tax	1,833	2,099
Theoretical tax at UK Corporation Tax rate of 19% (2019: 19%)		
Non-taxable charitable activities	(1,833)	(2,099)
Tax adjustments to tax charge in respect of prior periods	-	(5)
Total tax charge for the year	-	(5)

11 Intangible fixed assets

	Computer software	Total
	£'000	**£'000**
Cost		
At 1 April 2019	381	**381**
Additions	45	**45**
Disposals	(6)	**(6)**
At 31 March 2020	420	**420**
Amortisation		
At 1 April 2019	309	**309**
Charge for the year	35	**35**
Disposals	(6)	**(6)**
At 31 March 2020	338	**338**
Net book value		
As at 31 March 2020	82	**82**
As at 31 March 2019	72	**72**

Amortisation is recognised in operating expenditure in the Statement of Comprehensive Income.

Notes (continued)

12 Tangible fixed assets
Housing properties

	Completed Rental properties £'000	Rental properties under construction £'000	Completed Shared ownership £'000	Shared ownership under construction £'000	Total £'000
Cost or valuation					
At 1 April 2019	324,643	15,826	12,245	3,516	356,230
Additions	4,121	21,291	-	8,027	33,439
Revaluations	-	-	-	-	-
Disposals	(704)	-	(108)	-	(812)
Transfers – completed stock	20,060	(20,060)	6,373	(6,373)	-
Transfers to Other Categories	(91)	(7)	(20)	60	(58)
At 31 March 2020	**348,029**	**17,050**	**18,490**	**5,230**	**388,799**
Depreciation					
At 1 April 2019	**35,620**	**-**	**185**	**-**	**35,805**
Charge for the year	5,631	-	103	-	5,734
Impairment losses	-	-	-	-	-
Reversal of past impairment losses	-	-	-	-	-
Adjustments on revaluation	-	-	-	-	-
Disposals	(142)	-	-	-	(142)
At 31 March 2020	**41,109**	**-**	**288**	**-**	**41,397**
Net Book Value					
At 31 March 2020	**306,920**	**17,050**	**18,202**	**5,230**	**347,402**
At 31 March 2019	289,023	15,826	12,060	3,516	320,425

The carrying value of assets with restricted title or held as security against liabilities at 31 March 2020 was £170.4 million (2019 £181.3 million). All properties are held on a freehold basis. £4.1 million was spent during the year on existing property components with a further £10.6 million charged to the Statement of Comprehensive Income.

13 Property, plant and equipment (other)

	Freehold	Fixtures and Fittings	Total
	£'000	£'000	£'000
Cost			
At 1 April 2019	7,040	1,670	8,710
Additions	-	404	404
Revaluations	-	-	-
Disposals	-	(47)	(47)
Transfers	-	-	-
At 31 March 2020	**7,040**	**2,027**	**9,067**
Depreciation			
At 1 April 2019	1,810	1,517	3,327
Charge for the year	176	103	279
Disposals	-	(47)	(47)
At 31 March 2020	**1,986**	**1,573**	**3,559**
Net book value			
At 31 March 2020	**5,054**	**454**	**5,508**
At 31 March 2019	5,230	153	5,383

Freehold assets include administrative offices at Greenfields House and two former dwellings used as offices.

14 Fixed Asset Investments

On 1 November 2007, the Association acquired one ordinary share of £1 in Emerald New Homes Limited, being 100% of the issued share capital. During the year under review the company has been dormant and has no assets. The accounting period is the year ended 31 March 2020.

15 Stocks

	2020	2019
	£'000	£'000
Completed properties for sale	**2,036**	544
Properties under development	**3,016**	1,984
Raw materials and consumables	**329**	295
	5,381	2,823

During the year £1,211,563 of raw materials were expensed (2019 £1,097,292)

16 Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Rent arrears	**890**	711
Provision for bad debts	**(313)**	(348)
VAT	**73**	73
Other debtors	**131**	69
Prepayments and accrued income	**1,003**	847
	1,784	1,352
Amounts falling due after more than one year:		
VAT Shelter agreement	**4,656**	5,024
	6,440	6,376

17 Current asset investments

	2020 £'000	2019 £'000
Unlisted investments – at cost less impairment	**5,649**	13,721
	5,649	13,721

The investments include the Community Housing and Investment Partnership (CHIP) Fund established by the Association under a covenant included within the transfer agreement with Braintree District Council of £nil (2019 £76,000). The Board established a separate Partnership Board to oversee the allocation of funds from the CHIP Fund, which was dissolved in 2018/19. The Fund was held in cash-based deposits in accordance with the agreed investment strategy.

18 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Rents received in advance	**658**	802
Trade creditors	**1,081**	195
Other taxation and social security	**254**	226
Accruals and deferred income	**6,372**	7,265
	8,365	8,488

19 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Loans	**156,000**	156,000
VAT Shelter agreement	**4,656**	5,024
Government grants	**4,714**	4,111
AHF Bond Deferred Income	**1,965**	2,053
Less Debt Refinancing Costs	**(1,121)**	(841)
	166,214	166,347

	2020 £'000	2019 £'000
Deferred income – AHF Bond		
At 1 April 2019		
Income received	**2,141**	2,229
Amortisation to Statement of Comprehensive Income	**(88)**	(88)
At 31 March 2020	**2,053**	2,141
Due within one year	**88**	88
Due after one year	**1,965**	2,053

The deferred income represents a premium received on the issue of fixed coupon debt and is being amortised over the remaining term of that debt to 2043.

	2020 £'000	2019 £'000
Deferred income – Government grants		
At 1 April 2019	**4,154**	3,866
Grants receivable	**657**	331
Amortisation to Statement of Comprehensive Income	**(47)**	(43)
At 31 March 2020	**4,764**	4,154
Due within one year	**50**	43
Due after one year	**4,714**	4,111

The gross amount of grant received prior to amortisation as at 31 March 2020 was £5,001,975 (2019 £4,344,475).

	2020 £'000	2019 £'000
Bank Loans		
Between one and two years	**5,000**	27,000
Between two and five years	**59,000**	27,000
After five years	**92,000**	102,000
	156,000	156,000
On demand or within one year	**-**	-
	156,000	156,000
Total borrowings including finance leases		
Between one and two years	**5,000**	27,000
Between two and five years	**59,000**	27,000
After five years	**92,000**	102,000
	156,000	156,000
On demand or within one year	**-**	-
	156,000	156,000
Less Transaction costs on issue	**-**	-
	156,000	156,000

All loans are on a fixed rate basis, with interest rates ranging from 1.899% to 6.310%, with an average weighted cost of capital of 3.765% (2019 3.825%).

20 Analysis of changes in net debt

	At Beginning of the Year	Cash Flows	Non-Cash Movements	At End of the Year
	£000	£000	£000	£000
Cash and Cash Equivalents	(23,371)	11,682	-	(11,689)
Housing Loans Due in One Year	-	-	-	-
Housing Loans Due after One Year	156,000	-	-	156,000
	132,629	11,682	-	144,311

21 Retirement benefit schemes

Defined contribution schemes

The Association provides a defined contribution stakeholder type pension scheme for employees. The employee chooses their own contribution rate which is double matched by the Association up to a maximum employer contribution of 8%. The assets of the scheme are kept separately from those of the Association, and are invested in independently managed funds as chosen by the employee. From May 2014, those employees not already in a pension scheme are automatically enrolled in this stakeholder scheme unless they are entitled and choose to join the LGPS. There is a minimum employee contribution of 2% although employees can choose to opt out. Eastlight has no long-term pension liabilities under the defined contribution scheme.

The total expense charged to Statement of Comprehensive Income in the period ended 31 March 2020 was £335,000 (2019: £238,000).

Defined benefit schemes

The Association is a member of the Local Government Pension Scheme, administered by Essex County Council, with 72 employees contributing to the scheme, which is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme. In September 2008, the scheme was closed to new entrants. This note relates only to the obligations on Eastlight from the Scheme.

The most recent triennial actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 2020 by Barnett Waddingham. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method. Annual updates on the valuation of the scheme assets and liabilities are provided by the scheme actuary on an interim basis.

	2020	2019
Key assumptions used:		
Discount rate	**2.4%**	2.4%
Salary increases	**1.9%**	2.4%
Medical cost trend rates		
Future pension increases	**1.9%**	2.4%
RPI increases	**2.7%**	3.4%
CPI increases	**1.9%**	2.4%

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the Association's defined benefit scheme. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	Valuation at	
	2020	2019
	Years	Years
Retiring today:		
Males	**21.8**	21.3
Females	**23.7**	23.6
Retiring in 20 years		
Males	**23.2**	22.9
Females	**25.2**	25.4

Amounts recognised in the Statement of Comprehensive Income in respect of these defined benefit schemes are as follows:

	2020	2019
	£'000	£'000
Current service cost	**1,031**	871
Net interest cost	**124**	144
Plan introductions, changes, curtailments and settlements	**11**	13
	1,166	1,028
Recognised in other comprehensive income	**(577)**	(490)
Total cost relating to defined benefit scheme	**589**	538

The amount included in the Statement of Financial Position arising from the Association's obligations in respect of its defined benefit retirement schemes is as follows:

	2020 £'000	2019 £'000
Present value of defined benefit obligations	**(38,149)**	(40,223)
Fair value of scheme assets	**33,203**	34,851
Deficit	**(4,946)**	(5,372)
Net liability recognised in the Statement of Financial Position	**(4,946)**	(5,372)

Movements in the present value of defined benefit obligations were as follows:

	2020 £'000	2019 £'000
At beginning of year	**40,223**	39,072
Service cost	**833**	871
Interest cost	**959**	986
Actuarial gains and losses	**(4,249)**	2,319
Change in demographic assumptions	**(417)**	(2,222)
Experience loss/(gain) on defined benefit obligation	**1,335**	-
Contributions from scheme participants	**167**	173
Benefits paid	**(900)**	(976)
Past service costs, including curtailments	**198**	-
At end of year	**38,149**	40,223

Movements in the fair value of scheme assets were as follows:

	2020 £'000	2019 £'000
At beginning of year	**34,852**	33,177
Interest income	**834**	842
Actuarial gains and losses	**318**	-
Return on plan assets (excluding amounts included in Net interest cost)	**(2,635)**	1,158
Administration expenses	**(11)**	(13)
Contributions from the employer	**578**	490
Contributions from scheme participants	**167**	173
Benefits paid	**(900)**	(976)
At end of year	**33,203**	34,851

The analysis of the scheme assets at the Statement of Financial Position date was as follows:

Fair value of assets

	2020		2019	
	£'000	**%**	£'000	**%**
Equity instruments	19,435	59	21,697	62
Debt instruments	3,443	10	3,887	11
Property	2,986	9	3,099	9
Cash	1,380	4	918	3
Alternative assets	3,824	12	3,398	10
Other managed funds	2,135	6	1,852	5
	33,203	100	34,851	100

22 Financial Instruments

	2020 **£ '000**	2019 £ '000
Financial assets		
Measured at amortised cost		
• Rent arrears and other debtors	**5,365**	5,457
• Unlisted investments at cost less impairment	**5,649**	13,721
Measured at cost		
• Cash and cash equivalents measured at cost	**11,689**	23,371
	22,703	42,549
Financial liabilities		
Measured at amortised cost		
• Loans payable (note 19)	**156,000**	156,000
• Trade and other creditors (note 18)	**8,111**	8,262
	164,111	164,262

The Association's income, expense, gains and losses in respect of financial instruments are summarised below:

Interest income and expense		
Total interest income for financial assets at amortised cost	**237**	267
Total interest expense for financial liabilities at amortised cost	**(6,355)**	(6,560)
	(6,118)	(6,293)

23 Share capital

	2020 £	2019 £
Issued and fully paid shares of 10p each:		
At beginning of year	**548**	571
Issued during the year	**20**	13
Cancelled during the year	**(26)**	(36)
At end of year	**542**	548

The par value of each share is 10p. The shares do not have a right to any dividend or distribution in a winding up, and are not redeemable. Each share has full voting rights. All shares are uncalled.

24 Financial commitments

	2020 £'000	2019 £'000
Contracted for but not provided for	**45,005**	64,750
Approved by the directors but not contracted for	**19,372**	22,298
	64,377	87,048

The proposed funding for these commitments is as follows:

	£'000	£'000
Cash	**11,689**	23,371
Current Investments	**5,649**	13,721
Rental income	**-**	20,956
Existing loan facility	**47,039**	29,000
	64,377	87,048

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

	2020 £'000	2019 £'000
Payments due:-		
- within one year	**392**	265
- between one and five years	**883**	568
- after five years	**813**	-
	2,088	833

	2020 £'000	2019 £'000
Payments due for:-		
-Premises	**1,444**	16
-Equipment	**9**	17
-Vehicles	**635**	800
	2,088	833

25 Housing stock

	2020 Units	2019 Units
Owned and managed		
General needs housing accommodation	**7,100**	7,138
Housing accommodation at affordable rent	**689**	552
HFOP accommodation	**410**	409
Shared ownership accommodation	**224**	159
	8,423	8,258
Managed stock		
Leasehold properties	**473**	471
Ground leases	**11**	11
	484	482
Total	**8,907**	8,740

26 Event after the End of the Reporting Period

On 1 July 2020, Greenfields Community Housing Limited acquired by Transfer of Engagements the assets and liabilities of Colne Housing Society Limited (Registered under the Co-operative and Community Benefit Societies Act 2014 with registration number: 20799R) in accordance with Section 110 of the Co-operative and Community Benefit Societies Act 2014. On 1 July 2020 the Financial Conduct Authority cancelled the registration of Colne Housing Society Limited in accordance with Section 5 of the Co-operative and Community Benefit Societies Act 2014 on the grounds of the Transfer of Engagements to Greenfields Community Housing Limited. Following the Transfer of Engagements, since 1 July 2020 Greenfields Community Housing Limited has been registered with the Financial Conduct Authority as Eastlight Community Homes Limited and trading as such as the combined Registered Society and Registered Social Housing Provider.

27 Related Party Transactions

The Board comprises ten members. During the year, two tenants have been members of the Board.

Neil Coughlan	Tenant	*Appointed 20.01.20*
Flip Hornby	Tenant	*Resigned 15.11.19*

All tenancies and lease agreements are on normal commercial terms and tenant members are not able to use their position to their advantage.

The amount of rent and service charges charged to tenant board members and their immediate family members during the year, based on a full year's charge for both tenant board members, was £16,734 (2019 £21,261) and the amount of rent and service charges outstanding from members and their families at the end of the year was £288 (2019 £nil).

Emerald New Homes Limited is a wholly owned subsidiary of the Association. Emerald New Homes Limited is not registered with the Regulator of Social Housing. It has been dormant during the year and there have been no transactions between it and the Association. During the year one Board Member and one Executive Director of the Association have been directors of Emerald New Homes Limited.

28 Transition to Housing SORP: 2018 Update

There has been no effect on reserves following the adoption of the Housing SORP 2018 from the Housing SORP 2014 for the comparative year to 31 March 2019.