Annual Report and Accounts

2019/20

CLARION
HOUSING GROUP

We are **sounding a call to improve** affordable housing across the UK

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Who we are and what we do

There is a housing crisis in our country.

There simply aren't enough affordable and suitable places for people to live. You might have experienced this yourself, or have friends and family who have.

We believe having a home to call your own is fundamental to being able to access the right opportunities in life. That is why our mission is to provide good quality, affordable homes and neighbourhoods to people failed by the market. We're all driven by a shared purpose at Clarion. We want to ensure that everyone has the opportunity to build a better future and we're relentless in pursuing it.

As the country's largest housing association with 125,000 properties nationwide, we provide a home to 350,000 people. We build more than two thousand new homes a year and through Clarion Futures (our charitable foundation) we provide opportunities for our residents to thrive – supporting people into work, improving neighbourhoods and doing it all sustainably.

We use our scale, experience and talent to influence change. Clarion will lead the call for affordable housing and we'll lead by example.

We have **125,000 homes** and work across over 150 local authorities

For residents

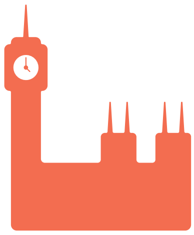
We're a landlord you can speak to when you really need to

For investors

We're a safe pair of hands with low risks delivering social returns

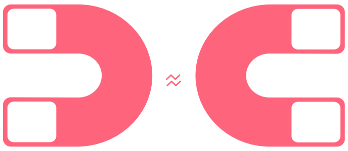
For employees

We invest in our colleagues and help them make a difference



For government

We're a thought leader, helping to shape policy on affordable housing



For the private sector

We're a partner to deliver affordable housing

For local authorities

We're here to respond and build cohesive communities

Statement from the Group Chief Executive

Clare Miller
Group Chief Executive

"As a social landlord we provide housing that simply wouldn't be affordable at market prices."

In my first update to you as Group Chief Executive last year, I talked with pride about our achievements and the importance of having a strong financial foundation. The world has changed since then, but I am pleased to report that our commitment to long-term financial planning has left us in a strong position to do what matters most, to support our staff and residents through this pandemic and beyond.

However long the public health crisis lasts, Clarion will stand by our staff, provide extra support to our residents in greatest need and continue to build desperately needed affordable housing. This commitment is underpinned by an excellent group performance in 2019/20, which is of course the focus of this report.

Our results, against a backdrop of Brexit, political uncertainty and latterly Covid-19, clearly demonstrate our progress, our resilience and our capacity to deliver upon our ambitions. We have increased our turnover by 3% and our operating surplus for the year by 4%. As a charity, all of these gains are retained by the business to invest in improving services and delivering more new homes. An example of this is our investment of £631 million in new build homes during in the year - this is four times our surplus for the year and only achievable through retaining the confidence of our banks and investors who continue to help fund our growth.

As the largest social landlord in the country, we have more than 350,000 people who count on us to provide a high quality service. I am pleased to say that our performance was vindicated by residents and the regulator alike over the last 12 months. Customer satisfaction was above our target of 80% and our regulatory G1, V1 rating was reaffirmed, the highest level that can be awarded. I would like extend my gratitude to every single one of my colleagues; it is thanks to your determination, skill and commitment that we have reached these goals.

I am unapologetic about my ambition for our organisation. I know my colleagues share my determination to do even more to provide and maintain housing for those failed by the market.

This year we completed 2,101 new homes, of which 86% were for affordable tenures. This represents an increase of 69% over the last 12 months and shows how quickly we are scaling up as a developer, whilst remaining focused on building homes that meet the needs of people on low and middle incomes. The pandemic will have an impact on the construction sector, but the majority of our sites are up and running and our team will continue to deliver sustainable growth in the number of new homes.

Our organisation has more than 100 years of history and our charitable mission is as integral to us today as it was to our founder, William Sutton. As a social landlord we provide housing that simply wouldn't be affordable at market prices. Every week we save our residents in excess of £8 million by charging subsidised and affordable rents. Over the course of a year, this adds up to an economic contribution of £430 million.

Clarion Futures has continued to make interventions that transform lives, supporting nearly 4,000 people into work, helping thousands to access advice on how to manage their finances and expanding our youth engagement projects all over the country.

While many of Clarion Futures' programmes have an immediate and life changing impact, we are equally committed to the long-term improvement of our communities. All Clarion residents deserve to live in sustainable homes and in order to make sure that is the case we need a vision fit for the next generation. Our Clarion 2040 programme will drive our asset strategy for the next twenty years, as we upgrade and invest in homes at scale.

We are all living through uncertain times, but our role in society has never been more important. Clarion will lead the call for affordable housing and we will lead by example. Building new homes, supporting those in greatest need and investing in communities across the country.

2,101
new homes

69% increase
from last year

Statement from the Chair

David Avery
Group Chair

"Clarion will be playing its part in supporting residents, protecting staff and continuing to provide quality housing for people inadequately served by the market."

I would like to begin by thanking the Group Board for their hard work and dedication over the last 12 months and to express my gratitude and appreciation for their support during my first year as Chair. Most importantly, their collective knowledge and experience has been a great benefit to the whole organisation as we work together to protect residents and staff during these unprecedented times.

The board has a new look to it this year, as we said goodbye to some longstanding colleagues and welcomed four new members to our ranks. I am grateful for all the work of Brian Stewart, Tania Brisby and particularly to Neil Goulden, my predecessor as Chair. They have made an important contribution to Clarion's history for which we will always be thankful.

I am delighted we have been joined around the board table by: Amanda Metcalfe, Gavin Barwell, Graham Farrant and Tom Smyth. They bring a broad range of professional experience to Clarion, united by a shared passion of putting our social purpose at the heart of everything we do.

We could not have predicted the devastating impact that Covid-19 has had on our society. The response to this crisis by our staff at all levels of the organisation, from the Group Executive Team through to our frontline workers has been extraordinary. I am particularly proud of our operatives and caretakers who continued to work in their local communities supporting residents, even when the virus was at its peak in late March.

The reason we have been able to react so quickly to support our residents is due to the successful long-term stewardship of the organisation. We report on a growing surplus and strong liquidity position for the last financial year, essential for investing in maintaining and building new homes, but also providing the headroom that has allowed us to adapt services, ways of working and to protect our staff.

As this public health crisis ebbs, we know the housing crisis will not go away. In fact, we have to be prepared for it to intensify. As a result, our work will become ever more important. Last year we completed over 2,000 new homes, the majority of which were for affordable tenures. This is a huge achievement, which underlines our position as one of the largest developers of affordable housing in the country.

Clarion Futures also continued its inspiring work, helping nearly 4,000 people into work and making thousands of other interventions to help residents learn new skills and access much needed financial advice. The economic downturn that will follow the virus will put even more demand on these services, I know that our team are well placed to rise to the challenge.

It seems likely to be a turbulent 12 months ahead for the country, but I could not be more confident that Clarion will be playing its part in supporting residents, protecting staff and continuing to provide quality housing for people inadequately served by the market.

4,000
people helped by Clarion into work

Board, Executive Directors and Advisers

Board

David Avery (Group Chair)
Sue Killen (Vice Chair)
Clare Miller (Group Chief Executive)
Gavin Barwell (appointed 16 December 2019)
John Coghlan
Graham Farrant (appointed 1 November 2019)
Mark Hattersley (Group Chief Financial Officer)
Amanda Metcalfe (appointed 1 November 2019)
David Orr CBE
Greg Reed
Rupert Sebag-Montefiore
Tom Smyth (appointed 16 December 2019)

Tania Brisby (retired 29 February 2020)
Neil Goulden (retired 26 July 2019)
Brian Stewart OBE (retired 26 July 2019)

Executive Directors

Clare Miller
Richard Cook
Mark Hattersley
Catrin Jones (appointed 1 May 2019)
Rob Lane (appointed 1 May 2019)
Michelle Reynolds
Catherine Thomas (appointed 3 February 2020)
Ian Woosey

Jonathan Cawthra (retired 14 June 2019)
Neil McCall (retired 24 April 2019)
Caroline Romback (appointed 4 June 2019, resigned 18 February 2020)

Company Secretary

Louise Hyde

Principal Solicitors

Allen & Overy LLP
One Bishops Square
London E1 6AD

Winckworth Sherwood LLP
Minerva House
5 Montague House
London SE1 9BB

Devonshires Solicitors
London
30 Finsbury Circus
London EC2M 7DT

Trowers & Hamlins LLP
3 Bunhill Row
London EC1Y 8YZ

Anthony Collins Solicitors LLP
134 Edmund Street
Birmingham B3 2ES

Bankers

NatWest Bank plc
143 High Street
Bromley
Kent BR1 1JH

Auditors

KPMG LLP
15 Canada Square
London E14 5GL

Registered Office

Level 6
6 More London Place
Tooley St
London SE1 2DA

External Environment

External factors continued to play an important role in the national housing environment. The 2019/20 financial year can be divided into two very distinct parts - before and during the Covid-19 crisis.

Until the Covid-19 crisis, Brexit remained the Government's priority with the UK formally leaving the EU in January 2020 and entering a transition period with future trading agreements still in negotiation. At the time of writing, it's still unclear whether the one-year transition period will be extended. Brexit is one of the most significant economic events for the UK, and the full range of its effects are still unknown however Clarion is well-placed to deal with all outcomes and continues to model potential risks, including around supply chain concerns.

The December 2019 General Election saw a Conservative Government returned, with commitments in its manifesto to help more households into homeownership. The Government's agenda is clearly now dominated by the Covid-19 crisis and, in all likelihood, will continue to be so for the rest of the calendar year, if not far longer. Policymaking will, for the foreseeable future, be focused on mitigation of - and adaptation to - Covid-19 and restarting the economy in response to the crisis.

The UK Office for Budget Responsibility warned in April 2020 that UK gross domestic product (GDP) could plunge by 35% between April and June, while the unemployment level could increase by more than 2 million people if the Government's lockdown measures were maintained for three months. The majority of leading economists are now predicting that the UK will enter an economic depression in 2020 and the type and speed of recovery remain highly uncertain.

In March 2020, the construction sector's Purchasing Managers Index (PMI) showed the steepest decline in activity since the 2008 recession. The housebuilding industry almost completely stalled during March/April 2020, with new build flatlining and house prices stalling or falling by around 5-10%. Most major developers have put substantial numbers of staff onto the Government furlough scheme as have many other sectors including retail and leisure.

Government agencies such as Homes England are looking at a range of new adaptive partnerships in light of the crisis. The Regulator of Social Housing has announced a relaxation of regulation as the crisis limits housing associations' ability to deliver compliance on areas such as gas servicing. The social care sector has been particularly hard hit due to the extremely vulnerable nature of its residents and services.

For the social housing sector, while it is largely dependent on rental income and sales receipts, the welfare system will take some of the strain of housing costs and at the time of writing many construction sites and sales suites have reopened, with social distancing measures in place.

For Clarion, it is likely that our residents will be disproportionally affected with many of them in low paid, part-time work – roles which are at greatest risk during recession and re-organisations. We are therefore focussed on helping all our residents, providing support and guidance, especially through our Clarion Futures team.

Our focus on maintaining our financial strength ensures that we are well placed, not only to deal with the impacts of the virus but also to be a key contributor to supporting the recovery. We are well funded and able to maintain our investment into our existing properties and also to continue building new homes. This In turn supports employment and ensure we continue to focus on delivering quality, affordable homes for those in need.

Our strategy: a roadmap to deliver

Clarion Housing Group continues to build on the vision and heritage of our Victorian founder William Sutton: 'To deliver good quality, affordable homes and neighbourhoods to people failed by the market.'

Our aim is to make a difference across every aspect of affordable housing in the UK. From our local authority and development partners, to our employees to our residents, we are sounding a call and making a positive impact.

Through a process of continuous improvement we are engaging with every part of the affordable housing system, with an outcome led approach.

Our delivery is focused on six strategic priorities.

Our Vision

Building Homes, Developing Futures.

Our Mission

Clarion Housing Group provides good quality, affordable homes and neighbourhoods to people failed by the market.

Our strategic priorities

Strategic themes

Be the housing and service provider of choice

Clarion homes are good quality, safe, sustainable, and affordable places to live.

Clarion always delivers a good quality customer experience.

Clarion provides support and creates opportunities which help customers to achieve their aspirations.

Build a successful, respected, and influential national business

Clarion has a clear, consistent, and ethical brand which is understood by all our audiences.

Influence the political and external environment to best enable the delivery of Clarion's mission.

Customers, employees, and stakeholders are well informed about Clarion and trust us to deliver on our promises.

Build new homes and successful communities

Substantially increase the delivery of sustainable low carbon homes.

Increase Clarion's new build pipeline while delivering 2/3 of new homes as affordable.

Provide good quality, distinctive places which enhance wellbeing and enable communities to flourish.

Enablers

Be a great place to work

People are productive and fulfilled in what they do

People are passionate about our purpose

People feel they belong and can be themselves at Clarion

Maintain our financial resilience

Long term sustainable plans are underpinned by clear and deliverable short-medium term objectives.

Maintain financial capacity to deal with downturns and maximise opportunities as they arise.

Manage resources to achieve the maximum financial, social, and strategic value for the business and our customers.

Exploit new technology and innovation

Embrace available technology to improve the customer experience.

Create the space for people to innovate and experiment.

Ensure Clarion's decision making process is rapid, decisive, and data driven.

Metrics

- Customer satisfaction exceeds 80% in all areas
- Consistently building 4,000 new homes per annum
- Employee Engagement Score exceeds 80%
- Delivery in line with our 5 year budget
- Clarion homes and places meet standards in line with Clarion 2040 targets

The Clarion Difference

We provide a home to 350,000 people

Housing is fundamental to an individual's life chances. Without a safe and secure home, the ability to achieve the things others take for granted is severely reduced. Providing a home to 350,000 people, we are uniquely placed to make an even bigger impact. From simply helping people find their feet to helping them get a foot on the ladder, we change lives.

"When I moved into my Clarion property, the first thing I noticed was how warm and friendly my new neighbours were, and the staff too."

Mo

We helped Mo feel at home

Mo left war-torn Somalia in 1999 and arrived in London, before moving to Newcastle. When his mother died, he was left without any family support and felt very alone. He signed up to a Clarion property in 2018 and thanks to the strong sense of community in the area, instantly felt welcome. His neighbours smiled and greeted him in the street and he had regular contact with the local neighbourhood team, always happy to update them on how he was settling in.

Mo said: "Before moving here, I had never really felt at home in England. When I moved into my Clarion property, the first thing I noticed was how warm and friendly my new neighbours were, and the staff too. They really made an effort to welcome me and it was a relief after having faced quite a lot of hostility in my life. I have a health condition which means sometimes I feel very unwell and Joan, the cleaner for the building, always checks in on me and even does my shopping for me when I'm not able to. Even though I don't have family living close by, I know that I can count on Joan."

We're first and foremost a social landlord. We provide homes for people, and that's why their interests are at the heart of everything we do.

Serving our residents

We're proud that our work continues to be appreciated by the people who matter most - our residents. We achieved 80.9% overall customer satisfaction for the year, which is above our target of 80%. Satisfaction with repairs alone was 89%. We'll never be complacent and we continuously look for ways we can give a better service, build on our long term relationships with our communities and do more. We've introduced new ways of working which mean all our residents can now quickly and easily view rent statements and make payments online, as well as update contact details and request repairs - at their convenience, just as many customers expect. Of course phone calls are still important and there are times when what's needed is a conversation with someone who can help. Our call centre staff took over one million calls during the year.

We offer lots of ways residents can get in touch with us, including social media and web chat too. Customer segmentation work undertaken in the year has helped us gain a really good understanding of the range of people we house and what their different needs and expectations are. We are using this information to better tailor the services we offer so we can provide a consistently good service to everybody.

We have also introduced a new front line housing service. Instead of having one housing officer covering a specific area, we now have full teams supporting our residents and the community. This means that more of our people are out and about in our communities and visiting residents in their homes, overseeing and addressing local issues and building rapport. We know that not every community is the same. We aim to be both large and local by being responsive to these differences and are identifying priority areas for 'Local Offers' that will address a specific, identified issue or need. These may be in partnership with local agencies and services and are designed to improve our neighbourhoods and the quality of life and wellbeing of our residents.

Involving our residents

We place our customers at the heart of everything we do. So we encourage them to play their part in shaping our services through a wide range of initiatives that, together, help us continually improve the way we work and the customer experience. We facilitate opportunities for residents to engage with us on a national, regional and local level.

At a regional level, residents can volunteer to join one of our five scrutiny committees. Each region focuses on a specific topic, with committee members presenting their feedback to our Housing Association Board, which is then tasked with taking the appropriate action on behalf of all our residents.

We have established a digital resident involvement platform, Clarion Voice, open to residents across the country and have seen a 13% increase in residents engaging through this platform on the previous year. We also have a range of networks that focus on the specific needs of different groups, such as our Out & About network which looks at the service we provide to our LGBT+ residents and helped us to achieve our LGBT+ Pledge Card status. We have worked to develop a 'reviewed by residents' stamp to demonstrate residents' thoughts and comments have influenced a document or policy and have worked with residents to pilot a new residents' magazine.

We held partnership days over the year to facilitate engagement with our residents to help us understand what matters most to them. Held locally across the country, these events unite residents in a fun but purposeful atmosphere - and they bring a visible Clarion presence to the estates and communities we serve. This year's Tower Hamlets day was the largest event in our history, attracting around 600 residents across a broad range of ages, backgrounds and different tenures.

Supporting our residents

Alongside our core housing management service, we provide an enhanced supported housing service for people with a range of needs. For example, our LiveSmart service is tailored to support people over the age of 50 and we have recently established an 'age-Friendly communities' strategy which provides a group-wide approach to supporting our ageing communities. We also provide housing services for young homeless people, people with learning disabilities, people requiring mental health support, a prison re-ablement service and a service for Syrian refugee families.

We also own and manage Amy's Place, with funding from the Amy Winehouse Foundation. This is a recovery house specifically for young women aged 18-30, who are overcoming drug and/or alcohol dependency. During the last 12 months, the team at Amy's Place partnered with our Lettings team to establish a new, smoother process to support residents moving into a permanent Clarion home. If an ideal property isn't available, we work closely with the local authority to identify suitable homes offered by other providers, so that residents can begin the next chapter of their lives as soon as they're ready.

We also deliver the domestic abuse refuge service for Kent County Council. During the year, we used our expertise in this important area to help develop a range of vital domestic abuse training programmes which have now been rolled-out to multiple external agencies including over 70 NHS mental health nurses as well as GPs, local authorities and key partner agencies.

However, all of our residents have access to support regardless of their needs or circumstances and help is still available for those who live in our general needs accommodation. We have tenancy sustainment specialists within our housing team that work closely with residents. Over the year we supported over 2,300 households to stay in their homes. We helped residents gain a total of over £500,000 in extra income and prevented 587 evictions.

During the year we also agreed a homelessness strategy and action plan and have since partnered with other charities and organisations to provide supported and temporary housing to help end rough sleeping. As marker of our commitment in this area, we have selected St Mungo's as our corporate charity for the next three years and have made an initial donation of £20,000 to assist the charity in suppling a smart phone to 1,800 of its clients who cannot access vital services.

Providing good quality, sustainable homes

All our residents deserve to live in good quality, safe and sustainable homes. To make that a reality, we take a long-term approach to asset management. Every home needs investment and improvement over time and it's our Clarion 2040 strategy that sets out the standards we expect for our residents.

The Clarion 2040 vision is that:

By 2040, Clarion will be the undisputed leading housing group for good quality, fit for purpose, well managed, sustainable and affordable homes.

In July 2019, the Group Executive Team approved the adoption of the Clarion Standard. It has a clear, transformational aim of bringing the quality of our homes up to an enhanced standard by 2040. The Standard was developed in consultation with key stakeholders, including our involved residents, who shaped our aspirations and helped define targets and the key strands of work. Over the course of the year, we carried out an analysis of our homes and this has helped us measure current performance, understand the additional investment requirements and the wider implications of adopting the Standard.

Our specialist fire team has reviewed all Clarion buildings over six storeys and continues to deliver a remedial programme to improve compartmentation, mainly through fire door renewal and fire stopping. We've also completed a programme to our converted street property portfolio, which installed automatic fire detection and emergency lighting as well as upgraded fire doors. We've since expanded this programme to include all of our assets, not just our tall buildings, and have included sheltered and supported sites as well as low rise properties.

We've also worked closely with residents, stakeholders, the National Housing Federation, the G15 group of housing associations and the Ministry of Housing, Communities and Local Government (MHCLG), to develop and share our fire knowledge and experience. For example, our Fire Safety and Health and Safety teams took part in a workshop with representatives from MHCLG and eight other landlords as part of the Government's Social Sector (Building Safety) Engagement Best Practice Group.

Despite the great progress we've made with our safety programme, we're always looking to improve and innovate. During the year we became one of the first landlords to develop a safety case review file and piloted BIM (Building Information Modelling) at three buildings. BIM is acknowledged as the future of asset management in housing and ties in directly with the "golden thread" of information that we'll be required to maintain as outlined in the Hackitt Report.

We understand the importance of providing homes that are efficient, comfortable, safe and secure and at the end of the year we had met all of our statutory compliance obligations. While our services are delivered locally, they're managed by national teams with extensive expertise and knowledge - such as our specialist lifts, fire, asbestos and heating teams.

We regularly review our portfolio to ensure that we have a clear understanding of the different cost profiles of our highly diverse asset base. This helps us identify where increased investment in planned preventative works, such as decorating, pointing and roof repairs, will further improve our overall efficiency, reduce overall cost per property, and improve resident satisfaction.

During the financial year we invested £102 million on improvements to our existing homes. We completed heating upgrades, roof replacements, and external decoration and kitchen and bathroom refurbishments and resident satisfaction with this work achieved a score of 93%.

We believe that longer-term contracts provide security for both ourselves and our suppliers. They also help realise the benefits of collaboration and investment at scale. In 2019, we were pleased to procure 20-year planned investment contracts with three partners who share our commitment to quality and social value. Together with our contractor partners we delivered over £980,000 in social value though our planned investment work.

Importantly, we're making sure we're there for our residents when they need us most. In addition to our planned investment activity, we operate an in-house repairs service, Clarion Response, who are out and about in residents' homes every day. Our operatives completed an average of some 1,000 repairs per day during the year. The first-time fix rate of 93.5% meant the majority of issues were addressed quickly, keeping residents' homes safe, comfortable, and working like they should. We know repairs is a key a driver for customer satisfaction and having a predominantly insourced service means that we have an additional 460 Clarion staff making more than 250,000 visits to our customers every year. Their knowledge and insight is valuable and we know they take pride in working for Clarion and making an important contribution to fulfilling our charitable mission.

"Thanks to the support I received, I have now got a career and a roof over my head. I'm proud to say I'm a Clarion resident."

Graham

We helped Graham find a job and put a roof over his head

Collaborating with partners often means we can do more within our communities. Graham was referred to Clarion Futures when he was homeless and unemployed having been released from prison. He had no phone, email address or fixed abode which presented barriers to his job search and he was lacking self-confidence, unsure how to move forward.

We worked with Graham to provide employment support, creating an action plan to help him find work and assisting with job applications. A local charity gave him a phone and clothing, and a shelter provided Graham with temporary accommodation so that he had an address to include on job applications. We organised support for Graham to improve his mental health and wellbeing and explored options to find him a home.

Graham is now a Clarion resident and has a job he loves as a recycling operative.

Graham said: "When I was referred to Clarion Futures, I was homeless and unemployed. Thanks to the support I received, I have now got a career and a roof over my head. I'm proud to say I'm a Clarion resident – to think a housing association helped me with finding employment, as well as giving me confidence is just amazing."

Responding to Covid-19

The priority for Clarion Housing Group during the Covid-19 outbreak has been to do everything we can to keep our residents and staff safe.

Our employees adapted quickly to the first phase of lockdown and were able to support Clarion residents in a host of different ways. We continued to complete all critical repairs, maintained our programme of urgent housing visits and ensured our caretaking and environmental services continued. We have since expanded the repairs and services we are able to offer and will continue to do so in a phased and safe way. We have made a successful and seamless transition to remote working for all of our office based teams, including our call centres.

In parallel, we rolled out a national programme of calls to our older and more clinically vulnerable residents and at the end of May had completed more than 80,000 individual calls to Clarion residents across the country, checking on their wellbeing, signposting them to other support services and supporting wherever we can.

Our charitable foundation, Clarion Futures, established an Emergency Support Fund to provide grant support to some of its longstanding partners who deliver social programmes in our communities. We have also made energy vouchers available which provide almost immediate relief for households in crisis.

Everyday stories are being heard of our people and our residents going the extra mile - from running community programmes to combat isolation, through to voluntarily making PPE for local health providers. While it has been a worrying time it has also shown what can be achieved with a shared commitment and collective effort to help one another.

We're working to build thriving communities

We're in this for the long run. While others may build and move on to the next site, we have a long-term commitment to residents and the sustainable, thriving communities where they live, because we care about people, place and how they come together.

The Group has ambitious growth plans and will invest billions in new housing over the next decade - our pipeline is currently in excess of 17,000 homes. The last 12 months saw us complete 2,101 new homes and start work on a further 2,572. Of these, 86% and 83% homes respectively are for affordable tenures – a ratio we are rightly proud of.

As part of our development programme, we develop homes for market sale though our development entity, Latimer. Latimer is playing a part in tackling the UK's housing crisis and as it grows, it will deliver profits that can be re-invested in the Group's core affordable housing delivery.

We also have in excess of 8,500 shared ownership properties with 127 of our shared owners increasing the share they own during the year and a further 166 reaching the ultimate end goal of 100% full home ownership.

Even through these challenging times, we will continue to build at scale to address the housing shortage, providing people with the valuable and vital places they need to live, and creating the vibrant spaces around them they can enjoy.

Building communities by building relationships

We are increasingly recognised as a partner of choice by landowners and local authorities. We're focused on forging closer working relationships with existing partners as well as targeting high quality developers and other businesses who share our vision. We aim to partner with financially sound and stable developers who have quality place-making credentials at the heart of their business and a proven track record of delivery.

We've demonstrated that we have the skills, the drive and the resources to deliver at scale. And we're known for keeping our promises. This has helped us form several close relationships with major landowners and joint venture partners, securing medium to long-term development opportunities for both private and affordable housing, because they know they can rely on us.

During the year, we worked with a wide range of partners to build thriving places and communities that people now proudly call home.

Notable deals in the year included obtaining planning permission for a site in Rainham for 717 homes, securing a major development site for 1,000 homes in Northamptonshire, and gaining consent to build 650 new homes in the London Borough of Brent over the next three years, more than 550 of which will be affordable. We were also pleased to make good progress with the proposed new settlement at Honingham near Norwich, which will see us bring forward some 4,600 homes.

Following the purchase of our largest-ever site in the region at Salford Quays in 2018, we're continuing to increase our presence in the North. Our proposals to convert a former Rowntree factory site in York into 279 homes were rubber-stamped during the year and we also entered into a strategic joint venture partnership to deliver a 99-home scheme in the village of Weston, Cheshire, which will provide 30 affordable homes.

In the South West, we have exchanged contracts to build 152 apartments for affordable rent and shared ownership at Bath Road in Bristol, our first site in the city centre, as part of our longer term growth strategy for this part of the country.

86%
of new Clarion homes were for affordable tenures

We're a partner to deliver a range of housing schemes

Proactive and flexible, we tailor our approach to meet specific housing needs and opportunities. Here we showcase four types of scheme that we're able to deliver.

A joint venture scheme
Eastern Quarry, Ebbsfleet Garden City

Working with our joint venture partner Countryside, we're providing up to 2,600 new homes at Eastern Quarry, one of the UK's largest residential schemes at the Ebbsfleet Garden City in North Kent.

Valued at £800-900 million and due for completion in 2032, this project is a major contribution to residential development in the area. In total, the site has planning permission for 6,250 homes along with a range of other uses, from commercial through to schooling, with the area as a whole set to become a magnet for new businesses, educational research and leisure facilities.

A regeneration scheme
Barne Barton, Plymouth

Our ambitious plans for Barne Barton will regenerate what was once the largest Naval estate in Britain and are the result of close working with residents, the local community and Plymouth City Council.

Under the proposals we aim to demolish and rebuild the entire estate to provide existing tenants with well-designed new homes and additional opportunities for low-cost homeownership.

Originally built for the MOD back in the 1960s, Clarion is the main landlord there and manages 228 two bedroom flats for affordable rent as well as a number of houses.

A masterplan has been developed in partnership with Exeter-based Clifton Emery Design that sets out the vision for streets, buildings and outside spaces in the proposed new neighbourhood, with the first new homes due to be completed in early 2022.

A 100% affordable scheme
Liberty Wharf, Alperton

We worked with brownfield specialist Inland Homes to build a 100% affordable housing scheme on a disused industrial site next to the Grand Union Canal in Alperton.

The development falls within the wider Alperton Growth Area where at least 1,600 new homes as well as new amenities are designated and is one of the first to be brought forward as part of the plans to regenerate one of the Mayor's Housing Zones.

Liberty Wharf will comprise 25 homes for Affordable Rent and 111 home available for shared ownership, offering a mix of one, two and three bedroom properties.

A Latimer scheme
Conningbrook Lakes, Ashford

In 2017, Latimer completed a deal with Brett Group and Ashford Borough Council for the Conningbrook Lakes site. The development comprises 300 homes across a 31 acre site, ranging from two to five bed homes available for private sale and shared ownership. The first phase is complete and the second phase is nearing completion, with work beginning on the third phase.

Set in the country park and lakes, the homes are just a short distance from Ashford town centre with its shopping, schools and high-speed rail link offering direct services to London St Pancras in under 40 minutes.

Suitable schemes can only be delivered if everyone is pulling in the same direction. That's why we work closely and collaboratively with our partners, to make sure we are all working towards the same shared vision. When we're communicating openly, sharing insight and developing ideas together, we can make sure we're always delivering to the highest expectations for our different schemes.

"We love it, our daughter loves it, we have more space – it feels like a family home, and it's ours."

Lauren

We helped Arron and Lauren get a foot on the property ladder

Having started a family, Arron and Lauren had outgrown their previous property and wanted a place to call their own for their daughter to grow up in. Living in the area for many years, it was important to them to be able to stay near their family and friends. However as young professionals, they had a difficult time finding something larger that suited them financially. Our low cost home ownership team found them a new Clarion home that suited their needs, available for part rent, part ownership with the ability to 'staircase' to full home ownership as and when it suited them financially.

Lauren said: "Financially, our only other alternative would have been to rent a larger property locally, so this was a no brainer for us. When we first started looking at home ownership, we weren't sure it was going to be possible for what we required, at least not yet, so it's a great feeling to be able to get a foot on the property ladder. We love it, our daughter loves it, we have more space - it feels like a family home, and it's ours."

We deliver a social return on investment

We're leading by example, with a range of bold initiatives that reflect the importance we place on Environmental, Social and Governance (ESG) issues.

We recognise that investors are not just looking for a financial return, they are also driven by the environmental, social and governance outcomes of their investments. We believe our ability to offer safe and secure investments, backed by bricks and mortar that also deliver major ESG impacts is a perfect match for investor needs. This impact builds new homes, supports people into work, and helps young people and communities get a better start in life.

In November 2019, we took a major step forwards when we became the first housing association in the UK to adopt the newly developed Certified Sustainable Housing Label. This scheme incorporates 30 social and green indicators and mirrors the principles developed by the United Nations. We're now well placed to benchmark our sustainability performance and understand the impacts that our activities have on the communities we serve. We hope the label can also help to attract a broader range of investors, particularly those with a requirement to invest in areas that make a positive impact.

As our Sustainable Housing Framework makes clear, we're committed to improving our impact on lives, communities and the economy. We are also a founding member of the advisory group led by The Good Economy which aims to establish a sector-wide approach to ESG.

Building upon this, we issued our first ESG certified bond in January 2020 raising £350m. The 15-year bond was priced at an all-in effective rate of 1.88% and was heavily oversubscribed, attracting £1.3 billion from well over 100 investors – a clear demonstration of the value of our ESG credentials.

Linking loans to sustainability

In addition to our ESG bond issue, we also finalised two sustainability-linked loans during the year - a £100 million revolving credit facility with BNP Paribas and a £100 million revolving credit facility with Sumitomo Mitsui Banking Corporation (SMBC). An element of the cost of each of the loans is linked to the delivery of targets for helping an agreed number of people into employment through our charitable foundation, Clarion Futures. The savings we make will then be-reinvested back into our communities, back into providing new affordable homes and improving the lives of our residents overall.

Improving our sustainability performance

As the largest social landlord in the country, we inevitably have a substantial direct environmental footprint. We're keen to work with government and other stakeholders to enhance our plans to reduce carbon emissions and make all elements of our organisation more sustainable.

As work on developing our refreshed sustainability strategy gets under way, we continue to focus on four key priorities:

Creating an improved housing stock with SAP ratings of D and above by 2025. During the year, we included retrofit

£350m
raised from our first ESG certified bond

measures as part of our planned investment programme to achieve a D rating. We're now preparing to go beyond this in line with the Clarion 2040 Standard, which commits us to fund improvements to achieve a minimum EPC C (SAP 72) for our social housing stock by 2040. We've also committed to increasing our annual investment in home energy efficiency from £2 million to £6 million over the next five years.

Ensuring our new build homes conform to a new enhanced set of sustainability standards which focus on quality and low carbon performance. We recently joined the NextGeneration Sustainability Benchmark scheme, and the last 12 months also saw us achieve a minimum EPC B across nearly all of the 78% of new build properties assessed. We're now working on new sustainability standards that will lift quality even further.

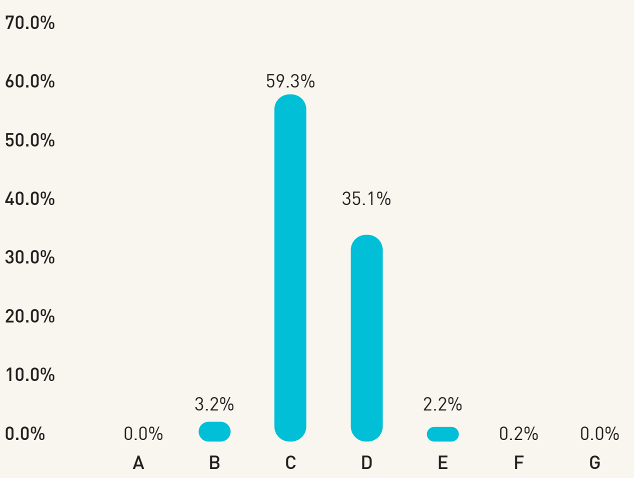
Refreshing our commercial fleet of over 600 vehicles driven by repairs operatives, with a significant proportion of hybrid/electric vehicles. We leased 300 new vans over the year, offsetting the carbon emissions of these vehicles by planting trees. We also bought our first electric vehicles, which are currently being trialled.

Substantially reducing direct carbon emissions and non-recyclable waste. We've started work to reduce our largest source of direct carbon emissions - communal heating systems - and have audited major sites to identify where the potential for carbon reduction is greatest. We've continued to roll-out smart meters which will also help our residents reduce their energy consumption and save money.

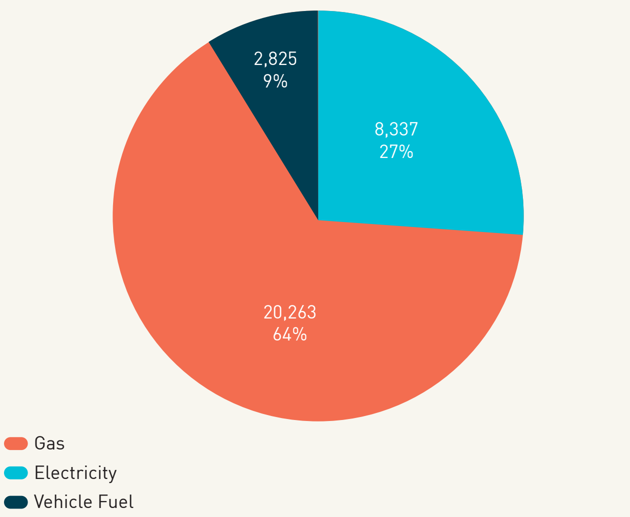
Our electricity and gas procurement activities for 2020/21 have achieved big savings. We're now also buying 100% zero carbon electricity for all our landlord supplies and offices where we pay the bills.

This means we have traceable supply from zero carbon electricity sources - renewables and nuclear. We're confident that our reportable carbon emissions will decrease from next year.

19/20 EPC profile (social rented and sheltered homes)



Total carbon emissions – Tonnes CO2e



We gave Aaliyah the foundations to build on to help her community

Providing opportunities for our younger residents to have a voice and deliver social action projects in their community is one of the priorities for Clarion Futures. Before joining our National Ambassador programme, Aaliyah had left school and was looking for a way to use her skills and attributes to make a difference in her local community and achieve her dream of joining the police force.

Taking part in the programme has given Aaliyah the chance to voice her opinions, develop her skills and work with others to run events for local children and young people, including an upcoming series of drama classes which will enable her to share her passion and talent. She has now taken on a leadership role in her job at a local supermarket training others, and is keen to use her people skills and experience to do more for her community.

Aaliyah said: "Being a national ambassador has helped me to feel like I have a voice and to see that by working with others, I can make a difference. I've always wanted to be a police officer and at the moment I'm waiting to hear whether my application has been successful. I'm excited to see what's next for me."

> "Being a national ambassador has helped me to feel like I have a voice and to see that by working with others, I can make a difference."
>
> *Aaliyah*

Underpinning our future

We're prudent and pragmatic, always working to ensure that Clarion remains financially secure, with the right strategies, technologies and resources to make sure we can deliver on our long-term ambitions.

Maintaining our financial strength and resilience

Our financial strength is the foundation for everything we do. One of our top priorities is to maintain and protect it in order to fund our ongoing programme of growth and investment. We use rolling short, medium- and long-term financial forecasts and use financial planning to identify mitigations against a range of adverse scenarios.

Our primary revenue stream will continue to be rental income. We aim to grow this by increasing the number of affordable homes we provide and maintaining high occupancy rates, while decreasing voids and arrears.

To fund this growth, we maintain a diversified debt portfolio from a variety of sources to provide investment capacity and flexibility at competitive cost, all supported by our investment-grade credit ratings.

During the year, Moody's rated us A3, citing a number of credit strengths including our status as one of the largest housing associations in the UK, our stable financial metrics and consistent strategy, and our ample unencumbered assets and bespoke treasury policy. S&P rated us A and highlighted our strong access to external liquidity, large undrawn committed facilities, and stable earnings from our significant social housing asset base. S&P also commended our solid financial performance in 2018/19, with resilient sales revenues in a challenging market, and complimented us on our prudent financial policies.

Evolving our portfolio

The geographical element of the Clarion 2040 asset strategy brings new clarity to where we'll focus our presence - specifically in urban growth hubs across the country. In line with this strategy, during the year we transferred a number of our homes to new social landlords, including our homes in Stafford, Newcastle and South Tyneside. Throughout this process, we put the needs of residents first, actively involving them in the selection of new landlords, and providing them with independent tenant advisors. In all cases, we made sure that the chosen landlords had the highest regulatory ratings, a strong existing local presence and a focus on resident services. The proceeds we raise from these sales are reinvested in additional affordable housing within our core operating areas.

Investing in IT to transform our business

Following the launch of our business change programme, Future Foundations 2 (FF2), we've now established a Business Solutions Centre which aims to make sure that we maximise the benefits of our investment in technology. We've established the core technologies that will underpin our future growth and development, such as our Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) systems, which have now been rolled-out across our whole organisation. This was one of the largest implementations of Microsoft Dynamics in Europe.

As we utilise these new systems, the insights provided by our Business Intelligence Team will help us make more informed decisions and become more efficient. For example, the team developed a bespoke algorithm for our in-house repairs service Clarion Response that identified that most jobs were actually being completed sooner than expected enabling us to increase the number of jobs allocated to operatives.

In the coming months we will go live with a new website for residents which will vastly improve the customer experience online and we will continue to develop new features and functionality. The intention is to offer more on-line services for those who wish to engage with us in this manner whilst maintaining other forms of contact (phone, email etc.) for those who prefer or need such access.

We're empowering and enabling our people to make a genuine difference.

We aim to make Clarion a great place to work. As a result our people are passionate about our purpose, are productive and fulfilled in what they do, feeling they belong and can be themselves at Clarion.

Attracting the best people

As a large and ambitious business, it is critical we attract and retain the best people. We do this through developing our internal talent and recruiting fresh thinking into the business. This combination delivers the best mix of skills and experience and makes us a resilient organisation.

Over the year our internal resourcing team filled 93% of vacancies at the first attempt, working closely with carefully selected partners on more specialist roles. Our clear social purpose, scale and ambition, inspiring workplaces and generous staff benefits allows us to attract committed people who are keen to make a difference.

We believe in developing our people and invest in their learning and development. We hire graduates, trainees and apprentices who can progress through our organisation. We launched our first graduate programme for the Development directorate welcoming four graduates in 2019 and we will recruit a further cohort by the end of 2020.

Investing in skills and expertise

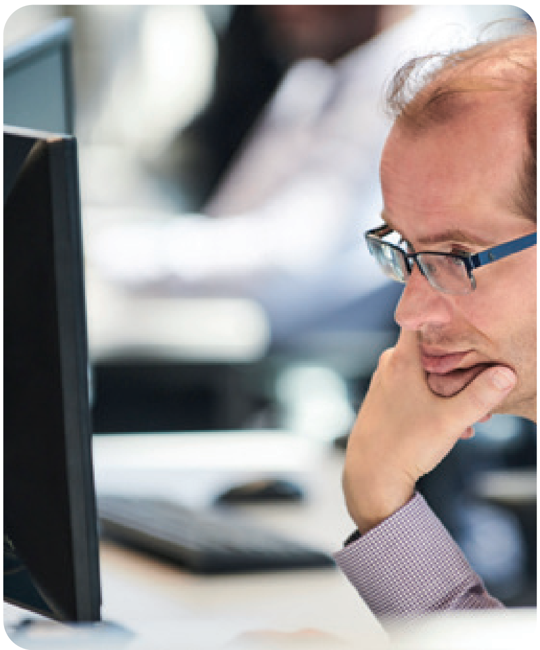
We recognise the difference that effective training and development can make in ensuring we have the right talent in the right place at the right time. It also represents our investment in our people to enable them to enjoy fulfilling and rewarding careers. Everyone at Clarion has access to a variety of formal development programmes such as Aspiring Manager programmes supporting those looking to take up their first management position. Colleagues have the opportunity to gain externally accredited professional qualifications, and are encouraged to work closely with line managers on their personal development plans.

Our partnership with Ashridge Executive Education saw a cohort of Clarion colleagues embark on degree level and masters qualifications at Hult International Business School.

This year we also launched Leadership Live, a development programme for colleagues from ethnic minorities who have the potential and ambition to progress to senior levels. Thirteen colleagues joined this year and received one to one mentoring sessions from the Group Executive Team.

We believe in developing our people and invest in their learning and development.

We've now launched our first graduate programme for the Development Directorate



Diversity and inclusion

Diversity and inclusion is embedded in all that we do. We want every individual working in our business to know they can be themselves and want them to feel they belong at Clarion. We understand the value of the creative solutions we find by bringing together teams of people from different backgrounds and look to innovate by embracing the diversity of thinking this generates. We ensure everybody is treated with dignity and respect, and just like our residents, we work to understand the needs of our people. Through our internal colleague network groups we aim to enable peer support and provide opportunities for them to feedback to senior leaders. We regularly celebrate special events from different cultures, religions and communities.

We remain committed to ensuring our organisation is free from bias and continue to drive diversity at all levels. Our Group Executive Team has a 50-50 male/female composition but we recognise we have more to do on diversity and inclusion throughout the business. In support of this, we conducted a diversity and inclusion survey, held a number of more detailed interviews and conducted a review of our recruitment processes. As a result, we have developed an action plan focussing on inclusive recruitment, talent development and training and mentoring programmes for the coming year.

Our Reward team ensure all of our people are fairly rewarded for the role they play at Clarion. We externally benchmark salaries periodically for existing roles and before new appointments are made, both against others in our sector and the wider UK market. We aim to be median payers and focus on attracting people through the additional benefits available, especially the organisation's strong sense of purpose. Our median gender pay gap is 2.7% with men at Clarion earning marginally more per hour than women. Although this benchmarks well externally, we are committed to continuing our work to support female representation at leadership levels. We ensure all out staff are paid at least the Living Wage and our chief executive to average pay ratio is 10.7:1. This compares favourably to a typical FTSE 100 company where chief executive pay is over 100 times more than the median worker.

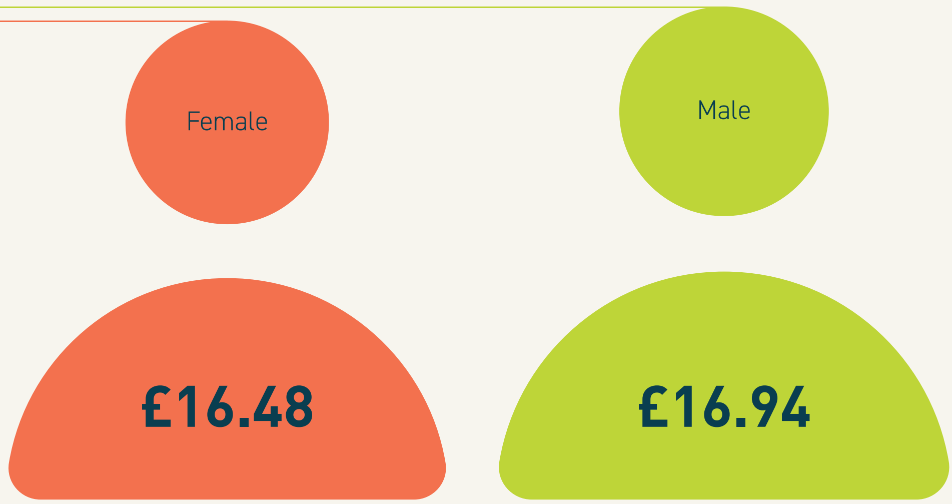
Celebrating success

We engage with our people regularly, through many different channels to seek their feedback and keep them informed. As part of our recognition of the significant contribution our people make to our success, The Clarion Way Awards celebrate the achievements of those who go above and beyond and demonstrate our values. These focus on improving the way we work, especially the services to our customers. This year we received more than 400 nominations.

The William Sutton Prize for Learning and Innovation is another way in which we recognise and reward some of our talented and creative people. The prize provides an opportunity for colleagues to explore a topic that they believe will improve the services we provide to residents. This year's winners included a project that aims to discover how a more effective use of land and better construction and engineering techniques are enabling Japan to deliver 100,000 new homes each year.

400+
nominations received for Clarion Way Awards

2.7%
percentage gap
within Clarion's employees



Giving guidance and opportunities

Our charitable foundation, Clarion Futures, exists because we want to help our residents to develop their future and maximise the opportunities available to them.

During the last 12 months, we invested £16.7 million in Clarion Futures, delivering £130 million in social value.

Clarion Futures' mission is to provide people with the tools and support they need to overcome their challenges - transforming lives and communities for the better. We do this via three main strands of activities: Communities; Jobs and Training; and Money and Digital.

Communities

Over the last year, we have brought together a strategy for how we'll help residents lead better lives as they grow older in our communities.

We've now made a series of key commitments:

- To design and build schemes that enable our residents to live, longer, healthier and happier lives;
- To ensure residents have the right homes at the right time;
- To empower residents to shape their lives and communities, no matter what their age.

We're here to help residents and communities at every stage of life. That's why, at the end of November we launched our pop-up innovation lab pilot programme in Merton. Staff, residents and local community organisations came together to find innovative solutions to challenges faced by older members of our communities. Our second lab took place in Hackney at the end of January 2020, and we've now committed over £20,000 to do more work with both labs. We're now sharing the lab model with our peers.

We have also launched the second phase of our youth social action programme, after securing an additional £600,000. The funding allows us to offer our community ambassadors (5-11 year olds) programme to 20 communities over the next two years, as well as placing 50 'Youth Connectors' in locations where they can help young people access services provided by Clarion and other local agencies.

Jobs and Training

Clarion Futures leads the largest jobs and training programme in the sector. Over the last year we've:

- supported 3,834 people into work, of which 2,222 people were from outside time-limited externally-funded programmes such as Love London Working;
- helped 208 people set up their own businesses; and
- placed 254 apprentices.

The jobs and training team has made a significant impact through Love London Working, a pan-London initiative, delivered by a cohort of housing associations, which helps unemployed people over the age of 16 into work or training, regardless of how long they've been out of a job or what barriers they're facing. Early in 2020, we were pleased to extend the programme for a further three years and to increase its value from £13.5 million to £34 million. To date the programme has supported 18,000 long term unemployed people, helping 5,700 into work.

Money and Digital

Throughout 2019/20, we continued to enhance the support we provide to our residents, helping them manage their finances more effectively and to get online and increase their digital confidence.

During the last 12 months we've delivered:

- 16,201 money guidance interventions;
- support for 3,512 debt advice cases;
- 15,013 digital support interventions.

£130m social value delivered over the year

We've now integrated our Money Guidance and Energy Advice teams so that all customers receive a core of guidance, regardless of how they initially contacted us. Fuel poverty is often found alongside other poverty issues, so we've made sure that all Energy Advisors also have the skills they need to carry out household budgeting and basic benefits checks. Likewise, Money Guidance officers can now provide energy advice and refer to specialist support for complex billing issues.

During the year, we supported the launch of food pantries and similar initiatives to help our most vulnerable households. For example, we teamed up with other housing associations to support the launch of a new community food pantry in South Kensington.

Whatever issues our residents need help with, we've got their back and will support them all the way.

We helped John explore the online world

Many of us take being online for granted, but not everyone has the confidence and skills to make the most of it. John, 78, had virtually no experience of using a computer when he signed up for an 8-week basic digital skills course run by our Money & Digital team. He wanted to be able to browse the Internet, use email and create Word documents.

Having completed the course, John is now able to get online confidently and safely and do all these things, as well as using his new-found digital skills to manage his Clarion rent account online and communicate with us to report repairs and share his views.

John said: "Nowadays everything is online, so without basic digital skills I was feeling like I'd been left behind. Thanks to the support I received, I'm now able to keep in touch with people using email, create documents for my social club using Word and manage my money using Excel spreadsheets. It's made such a difference and I'd like to say a big thank you."

"Thanks to the support I received, I'm now able to keep in touch with people using email, create documents for my social club using Word and manage my money using Excel spreadsheets."

John

"Luckily, I was referred to Clarion Futures and they've been amazing, helping me get my head around budgeting and make my money go further."

Nicole

We helped Nicole find her feet

Help with budgeting and money management is just one of the ways we can help make a real, long-lasting difference to our residents' lives. Nicole lives on her own in a one-bedroom flat and works on a zero-hours contract which means her hours and wages vary significantly. When we first spoke to Nicole, she reported that she was struggling to pay her bills, but after several conversations it became clear that there was more we could do to help her find her feet.

We worked closely with Nicole to complete tasks on the action plan we created with her to maximise income and reduce expenditure. With our support, Nicole submitted a claim for Universal Credit, applied for council tax support and secured a discretionary housing payment which cleared more than £1,200 of her rent arrears.

Nicole said: "I was struggling to keep my head above water and didn't know where to turn for help. Luckily, I was referred to Clarion Futures and they've been amazing, helping me get my head around budgeting and make my money go further."

We're speaking up in government to shape policy

That means we're using our knowledge and expertise to serve as a thought leader on key issues affecting affordable housing, and are stepping up to respond to the current social challenges. As the country's largest housing association, we have the scale and determination to speak up and stand up for those that feel left behind in the housing crisis, and have the opportunity to implement change that betters the future of our sector.

Working with Government

We're regularly engaging with Government ministers and committees. We're shaping policy and making sure that the concerns of our sector and our residents are fully understood.

For example, in October 2019 our Group Chief Executive Clare Miller spoke at a hearing of the Housing, Communities and Local Government Select Committee which is considering the factors preventing housing associations from building more homes. The committee is also examining how housing associations currently fund new homes.

Clare told committee members that the level of grant for social rent homes is "insufficient for us to have the scale of programme we would like". She used the example of an average two-bedroom property in London, noting that such a property costs £400,000 to build. If it is a social rent property, Clare pointed out the association will generate net income of roughly £100,000 over a 30-year period, leaving it with a £300,000 shortfall to fill, using either grant or our own subsidy.

Making sure our residents' voices are listened to, and acted upon

Every year, our residents have the opportunity to tell us about themselves, their lives and their experiences by taking part in our Clarion Index survey. The survey findings inform every area of our business, allowing us to target resources, measure the impact of programmes of work, and tailor our communications. It covers topics including communities, wellbeing, internet use, household finances and building new homes.

During the year, we also launched an innovative project which is enabling other housing associations to use our set of survey questions as well as our guide to methodology. Our aim is to help establish a consistent way in which resident surveys can support housing associations everywhere.

We are **sounding a call** to improve affordable housing across the UK

Making our voice heard

We make a continued effort to amplify important conversations about social housing. During the year, we again made our voice heard by initiating or taking part in a range of projects.

Exploring the reality of in-work poverty

This year, we partnered with the Resolution Foundation to work together on our annual resident survey and take a closer look at the growing reality of in-work poverty.

Launched in February 2020, the report found that nearly a quarter of our working residents were in poverty. Of this group, two-thirds were households with children. As a group, social renters are nearly three times more likely to be in work and in poverty than people living in any other tenure.

According to the report, poverty rates fall from 35% to 18% when people move into work – but even sustained employment doesn't eliminate in-work poverty for many households, highlighting the need for wider support. Almost seven-in-ten working age adults living in poverty today are either working themselves or living in a household where someone else does, up from fewer than five-in-ten two decades ago, the report explores how employment affects the likelihood of different groups living below the poverty line.

And with social housing tenants in work more than twice as likely to live in poverty (34%) than home owners and those in private rented accommodation (13%), the report sets out some compelling recommendations for government and employers that could help significantly improve the life chances of a considerable number of households.

Sharing best practice

We regularly make our expertise and experience available to bodies concerned with fire safety. During 2019/20, we again provided valuable responses to a number of important fire consultations.

We also co-hosted a day-long workshop which looked at fire safety access, as part of the Ministry of Housing, Communities and Local Government (MHCLG) group which aims to build safety best practice.

The workshop resulted in the development of a set of personas for vulnerable residents and the appropriate landlord responses. In February 2020, we followed this up by presenting the group with the findings of our fire safety pilots. Our work focused on resident and landlord fire safety responsibilities and MHCLG has confirmed that it will use our pilot findings to inform possible statutory responsibilities for residents in high-rise blocks.


CLARION
HOUSING

Financial review of 2019/20

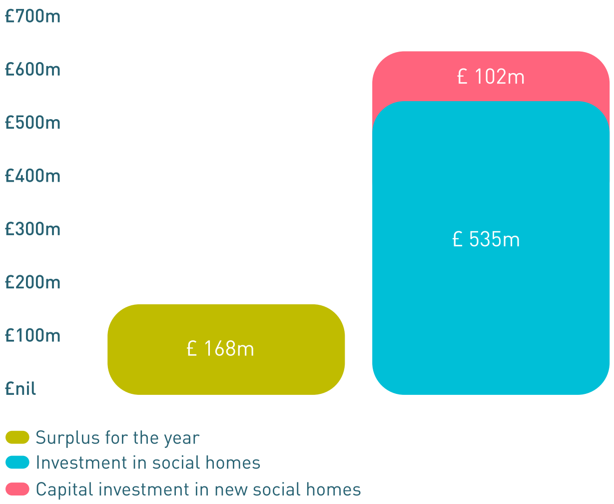
INTRODUCTION

The 2019/20 financial year has been one of further change and integration for the business with the key element being the implementation of the second phase of our new ERP system, putting the whole business onto a single operating platform. We have continued to focus on investing in our stock and customer services, along with growing our delivery of new homes. With the backdrop of an uncertain, broader economic situation due to both Covid-19 and Brexit, our financial performance is key to enabling us to deliver upon our aims. We are therefore pleased to report a good set of results and an ongoing strong financial position. Our operating surplus increased to £293 million (2019: £282 million) and our net surplus increased to £168 million (2019: £154 million) with operating and net margins remaining in line with the prior year at 35% and 20% respectively.

As the largest social landlord in the UK, we are committed to maintaining good quality homes and services for the benefit of our residents. During the year we invested £102 million (2019: £124 million) on improving our existing homes and a further £188 million (2019: £188 million) on maintenance of these homes. We also continued to grow our development pipeline, investing £631 million in new homes (2019: £541 million), £535 million of which related to affordable housing (2019: £438 million). Overall we have invested 3.8 times our surplus (2019: 3.6) in new and existing affordable homes (Figure 1) and 0.6 times our surplus (2019: 0.7) in homes for market sale. This clearly demonstrates our commitment to use our own resources and bring in significant levels of additional funding to deliver new homes for those in housing need.

Figure 1

Surplus VS investment in social housing



We remain a financially strong and resilient organisation with assets estimated to be worth more than £24 billion if sold on the open market. As a result of this strength, and the ability to absorb many of the shocks of the external market, we are able to deliver on our mission to provide good quality, affordable homes and neighbourhoods to people failed by the housing market.

STATEMENT OF COMPREHENSIVE INCOME

Figure 2

Summary of the Group's statement of comprehensive income

	2019–20 £m	2018–19 £m
Turnover	842	816
Cost of Sales	(111)	(85)
Operating Costs	(497)	(482)
Surplus on disposal of properties	59	33
Operating surplus	**293**	**282**
Operating margin %	*35%*	*35%*
Share of (deficit)/surplus on JCEs and associates	(1)	13
Gain / (deficit) on revaluation of investment properties	(5)	3
Net interest and other financial income	(114)	(137)
Movements in fair value of financial instruments	-	(5)
Other	(5)	(2)
Surplus for the year after tax	**168**	**154**
Net Margin %	*20%*	*19%*

Operating surplus and net surplus

Operating surplus at £293 million (2019: £282 million) increased in the year primarily reflecting the increased surplus disposal of properties as we implement our stock rationalisation strategy. This resulted in a stable operating margin of 35% (2019: 35%). Net surplus at £168 million (2019: £154 million) also increased reflecting lower interest costs offset by deficits on revaluations of investment properties and movements in fair values of financial instruments, resulting in a net margin of 20% (2019: 19%). Figure 3 shows the operating surplus and margin trends over 5 years.

Figure 3

Operating margin and operating surplus over five years

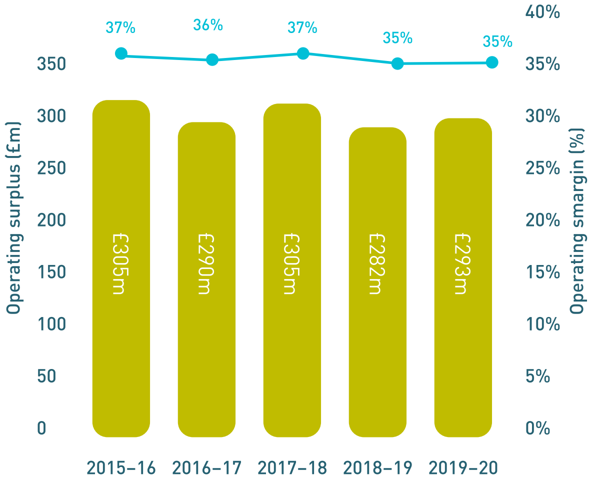
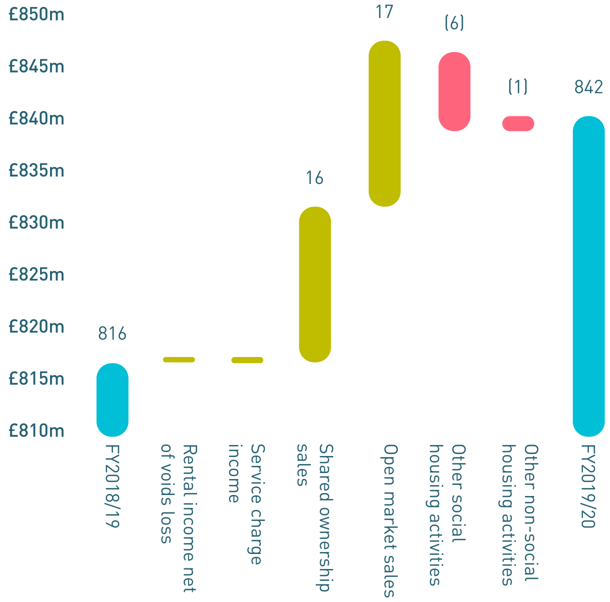


Figure 4

Movement in turnover during 2019/20



Turnover

Turnover at £842 million (2019: £816 million) was £26 million higher than the previous year as shown in figure 4. Within this, rental and service charge income were largely unchanged with the impact of the final year of the 1% Government rent reduction policy being offset by the growth in unit numbers, before the stock transfer of 1,175 units to Riverside Housing Association towards the end of the year.

Shared ownership first tranche income increased by £16 million (618 sales compared to 489 in 2019) and open market sales grew by £17 million – both reflecting the growing development programme. The increase in open market sales turnover reflects an increase in sales volumes to 109 (2019: 97; both figures exclude our share of joint ventures' sales) but also reflects tough market conditions which saw lower margins of 13% (2019: 17%).

The £8m reduction in other social housing activities reflects lower levels of care and support income and we exited some arrangement along with lower income from development activities undertaken for others.

Operating Costs

At £497 million, total operating costs are £15 million (3%) higher than the prior year (see figure 5), resulting in a total operating cost per unit (OCU) of £4,576 (2019: £4,441).

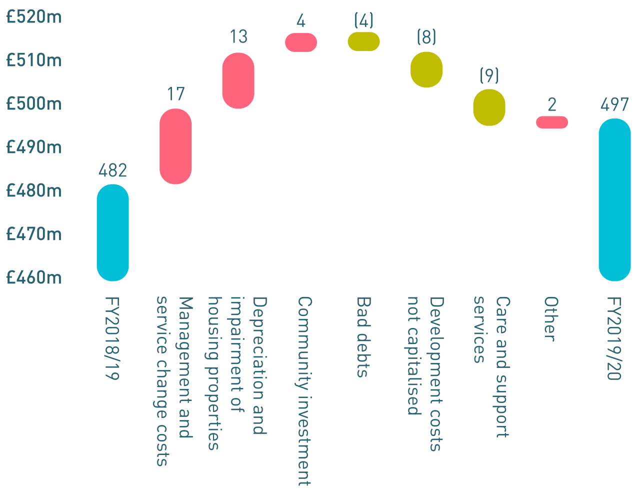
Costs increased across the business as we implemented the second phase of the new ERP system (training and transition costs) and invested in our front line, customer facing services. This resulted in a £17 million increase in our housing management, administration and services costs, the focus now being on leveraging the benefits of this to deliver future cost efficiencies.

Depreciation and impairment of our housing stock increased by £13 million, predominantly additional depreciation associated with our continued investment in both housing assets and IT systems. We also increased our expenditure on our community investment programme by £4 million to £17 million as we continued to support residents with training, job seeking, digital inclusion and welfare advice.

These increases are partially mitigated by lower costs across a number of areas including a reduction of the bad debt charge by £4 million, £8 million lower abortive development costs and a £9 million reduction in Care and Support services due to the disposal of Invicta.

Figure 5

Movement in operating costs during 2019/20



Surplus on existing property sales

At £59 million, surplus on sales has increased by £26 million versus the prior year as we step up our strategic stock rationalisation programme. This includes the disposal of 1,964 properties with the largest transaction being the transfer of 1,175 properties in Newcastle & South Shields to Riverside Housing Association. The surplus also includes the completion of 293 shared ownership staircasing transactions where residents now own larger shares of their own homes along with 49 right to buy and right to acquire sales.

Share of (deficit)/surplus of JCEAs

Our share of joint venture results delivered a £1 million deficit reflecting a number of the schemes in the start-up phase along with difficult trading conditions for two long-standing projects. The £14 million deterioration on the prior year is mainly attributable to a one-off adjustment to the investment in the Linden/Downland Graylingwell LLP in the prior year rather than an underlying reduction in performance.

Gain on revaluation of investment properties

This year, the value of the market rent and commercial portfolio has seen a small decrease of £5 million due to economic uncertainty at the reporting date.

Net financing costs

At £114 million, net interest has reduced by £23 million on the prior year. Within this, notional drawn debt has increased to £4,041 million (2019: £3,887 million) with new lower-cost funding reducing the average cost of funding from 4.20% to 4.15%. As a result, interest payable across our debt and derivative portfolio increased to £160 million (2019: £157 million), but there was also a significant £16m breakage receipt as part of the restructuring of an historic, low-margin loan. The net interest cost also includes £32 million of capitalised interest (2019: £22 million) as the development programme increases.

Interest cover at 2.5 remains comfortably above our tightest covenant.

STATEMENT OF FINANCIAL POSITION

Figure 6

Statement of financial position

	2019–20 £m	2018–19 £m
Tangible fixed assets	7,734	7,409
Net current assets	541	467
Creditors due in over one year	(6,665)	(6,323)
Other	195	111
Total net assets	**1,805**	**1,664**
Income and expenditure account	2,208	2,007
Cash flow hedge and other reserves	(403)	(343)
Total capital and reserves	**1,805**	**1,664**

Our Financial Position metrics remain strong with net assets increasing by £141 million (8.5%) to £1,805 million. As a result, gearing at 47% (as per our covenant definition) remains comfortably lower than our financial covenant.

The increase in net assets is primarily explained by a £337 million increase in social housing properties, a £128 million increase in stock and a £46 million increase in our interest in JCEAs. This is partially offset by a £165 million increase in underlying borrowings (including accounting adjustments), a £175 million increase in other creditors and a reduction in cash holdings of £61 million (to £121 million).

Social housing properties and stock

The Group invested £631 million (2019: £541 million) in the construction and redevelopment of housing with 2,572 new build starts and the completion of 2,101 properties (1,810 of which were for affordable tenures) at a cost of £521 million (2019: 1,243 units, of which 1,163 affordable; £261 million).

£4,179 million of capital expenditure remains approved at year-end (2019: £3,990 million) of which £1,424 million is contracted (2019: £1,013 million). The current development pipeline remains in excess of 17,000 homes.

During the year we also invested £102 million (2019: £124 million) in our existing homes, on top of our £188 million revenue maintenance spend (2019: £188 million).

Overall we have invested 3.8 times our surplus (2019: 3.6) in new and existing affordable housing assets (Figure 1). A further 0.6 times our surplus (2019: 0.7) has been invested in new non-social assets.

Interest in JCEAs

Clarion is also committed to delivering large strategic schemes through joint ventures or partnerships where we believe the collective skills of two differing parties can bring real benefits. During the year, the Group entered into 4 new joint ventures and 1 achieved its final sale, and this growing programme is reflected in the £46 million increase in our interests in JCEAs, which now stands at £153 million. At the end of the year, Clarion had 10 actively-developing joint ventures with a target of delivering 2,869 units (Clarion's share) and one long-term strategic proposal.

Other intangible assets

Other intangible assets increased by £3 million in the year. This was primarily driven by continued investment in our ERP platform, the first phase of which launched in April 2018 and the second phase was launched in October 2019. The two phases are amortised from these dates.

Borrowings

Drawn debt (excluding accounting adjustments) as at 31 March 2020 was £4,041 million, up from £3,887 million as at 31 March 2019. During the year the Group raised £500 million at record-low yields through three corporate bond issues which utilised our EMTN programme, with the proceeds being primarily used to fund the investment in housing assets and to pay back bank debt.

STATEMENT OF CASH FLOW

Figure 7

Summary of the Group's cashflow

	2019–20 £m	2018–19 £m
Net cash from operating activities	253	206
Net cash from investing activities	(308)	(381)
Net cash from financing activities	(5)	173
Net cash movement	**(60)**	**(2)**
Cash and cash equivalents at the start of the year	181	183
Cash and cash equivalents at the end of the year	**121**	**181**

Cash generation from operations is a critically important measure since it provides an indication of the Group's ability meet underlying obligations of its properties without recourse to debt finance and without reliance on existing property sales. Positive cash generation also provides vital support for the Group's investment in social housing, including the development of new homes, while keeping debt levels within acceptable limits.

Overall liquidity, comprising all cash and cash equivalents, plus undrawn facilities, increased to £912 million (2019: £756 million). Of this, cash and cash equivalents accounted for £121 million (2019: £181 million) – the reduction reflecting a change of policy but still constituting a material cash balance.

At £253 million (2019: £206 million), the cash generation from operations remains high and significantly in excess of the £102 million investment in existing homes (2019: £124 million).

The net cash outflow on investing activities at £308 million is lower than the prior year (2019: £381 million) due in the main to a £42 million increase in proceeds from property disposals and additional grant receipts of £67 million, partially offset by additional investment in new housing development and JCEAs.

At £5 million, our net cash outflow from financing activities has shown a balanced approach to cash requirements for the Group. Net new borrowings of loans and bonds totalled £154 million (2019: £339 million) with excess funds raised through the capital markets bond issues being temporarily used to repay revolving credit facilities and increase liquidity levels.

Treasury Management Report

The Group defines its treasury management activities as the management of the organisation's cash flows, its banking relationships, cash investments and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The Group accepts treasury risk consistent with sound business planning and operation but within parameters agreed, from time to time, by the Treasury Committee and always well within the contractual obligations covenanted in funding arrangements.

Where corporate financial covenants exist they are typically interest cover and gearing based. All covenants were met throughout the period whilst the Group's Long Term Financial Plan forecasts continued compliance, including under a range of scenarios reflecting severely adverse trading conditions.

Funding requirements are kept under constant review, including those in a range of potentially adverse scenarios (which are analysed though stress testing the long term financial plan). The Group considers the availability of funding to be a key risk and therefore (amongst other actions) maintains a high level of liquidity and charged but unallocated property security; seeks to diversify funding sources appropriately; and makes conservative planning assumptions about the cost of finance.

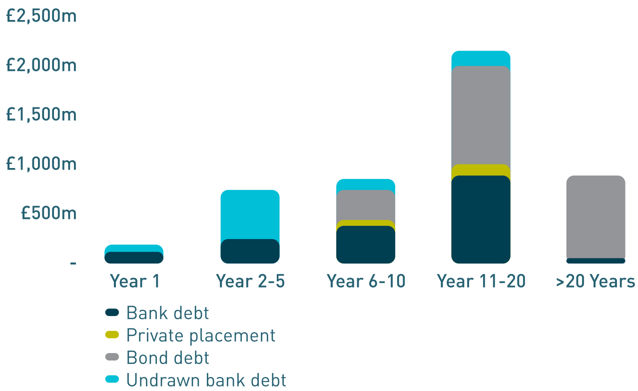
The Group's capital resources come from three main sources – its retained income and expenditure reserves, capital grant and debt funding. As at 31 March, the Group had £4.83 billion of committed debt funding (2019: £4.46 billion), with drawn funding totalling £4.04 billion (2019: £3.89 billion). The increase in drawn funding, along with cash generated from operations, sales receipts and capital grant was used to fund housing capital expenditure. All undrawn funding is committed and is available within three days' notice whilst cash is available with one days' notice.

The Group continues to maintain a diversified loan portfolio from a number of funding sources. During the period the Group extended £0.25 billion of its revolving credit facilities, prepaid a legacy bank loan, arranged £0.2 billion of new bank funding and obtained £0.5 billion debt capital market funding (notional), the latter raised utilising its EMTN debt programme. Collectively these actions have increased the debt portfolio duration to 15 years and lowered the Group's average cost of funds to 4.15%.

As at 31 March 2020, 48% of committed funding was from the capital markets and 51% from bi-lateral loans with nine banks and building societies.

The Group has limited re-financing risk in the next five years with over four fifths of the Group's debt facilities maturing after this time horizon; 63% matures after 10 years. As at 31 March, the Group maintained total liquidity of £0.90 billion, represented by £0.11 billion of cash (available with one days' notice) and £0.79 billion of committed undrawn credit facilities.

Debt Repayment Profile



The Group continues to be risk averse in its approach to interest rate management. Borrowing related to cash in hand is held at floating rates of interest, which is consistent with the interest profile of the Group's cash investments. The Group targets a flexible policy of hedging 80% to 100% of its net debt, with flexibility to depart from these parameters if circumstances make this more appropriate. At the year-end, 97% of net debt was payable at a fixed rate.

The Group hedges interest rate exposure predominately either by entering into fixed rate debt or by utilising stand-alone interest rate derivatives. Broadly speaking, the arrangements supporting the latter require collateral to be provided by the Group when prevailing interest rates are lower than the fixed rate payable under the contract – so called 'mark-to-market' exposure – as is currently the case with most of the contracts. The collateral provided is almost entirely property security, by allocation of an appropriate proportion of the Group's shared security pool to the respective derivative counterparties.

The Group maintains a prudent approach to collateralising it debt portfolio. Its main property security pool contains over 61,000 properties ascribed a value - this provides highly diversified collateral in support of all Clarion Funding plc issued bond debt as well as all bank exposures (debt facilities and 'mark to market' positions on swap contracts).

Over and above the amount allocated to each finance beneficiary a proportion of the charged assets are left unallocated. These unallocated assets provide a further level of collateralisation for finance beneficiaries whilst the Group has the potential to utilise these assets to secure new debt issuances, provide collateral to cover adverse 'mark-to-market' movements or cover adverse property security valuation movements. The current security value of these unallocated property assets is in excess of £1.1 billion whilst the total value of the security pool is in excess of £5.9 billion. Further property assets are charged on a periodic basis from the Group's substantial pool of unencumbered property assets.

The Group's capital expenditure plans (net of sales receipts) will continue to be met by cash generated from landlord activities, supplemented predominately by further debt funding. The level of debt funding is constrained by the Group's strong financial discipline and commitment to a financial profile consistent with a strong investment grade rating. Accordingly, through its planning activities, the Group ensures that it should have sufficiently strong debt service capacity under a broad range of adverse scenarios.

Near term forecast financial profile is one of the factors taken into consideration by the credit rating agencies who assign the Group a rating. The Group is rated by both Moody's and Standard & Poor's who both assign a strong investment-grade rating. (Moody's A3; Standard & Poor's A).

Value for money

Introduction to Clarion Value for Money

Every pound of surplus we derive is reinvested into our business to help us deliver our mission. A focus on value for money is integral to what we do and the concept is well understood and delivered by our employees. To support maximum efficiency in achieving our objectives, we have established processes and control mechanisms to ensure that we invest in strategically important areas that benefit our customers and society as a whole. Our value for money approach recognises that value for money can take the form of both financial value and social value.

Delivering increased efficiency and value for money was a key driver of the merger that formed Clarion in 2016. The targets that were established at that time have served the business well and ensured continued progress. After 4 years however, the value for money strategy is due for a full review and this will be undertaken in the coming year. This review is even more important as we consider the impact of Covid-19 and the role Clarion has to play in both improving the wellbeing of our residents and also playing our part in the recovery and growth phase which will hopefully follow.

Value for money is embedded in the underlying principles of how we operate:

- Continuous improvement in all areas of business;
- Leveraging new technology to drive efficiencies and effectiveness; and
- Continuous monitoring, reporting and amending plans to achieve our objectives

Performance management

Our value for money performance management begins during the planning and budgeting process. All budgets are put through a rigorous review and sign off process – both from an operational and financial point of view. An annual benchmarking exercise provides both the Board and organisation an additional critical perspective for identifying areas where we need to perform better.

We track Clarion's performance against targets (financial and non-financial) on a monthly basis, using a dedicated team of finance professionals supported by our data insights team. Any significant deviations from the targets are discussed at monthly Executive Team and quarterly Board meetings, along with proposed actions to address.

Clarion's procurement team has a remit of reviewing all procurement activities through the lens of value for money. The team enforces agreed tendering processes across Clarion, as well as tracking and reporting the procurement savings on a regular basis.

We believe that early warning mechanisms are critical for a robust decision making. Clarion has a well-established forecasting process, supported by risk and opportunity tracking, which plays a critical role in our performance management of value for money.

2019/20 Value for Money Initiatives and Achievements

Some examples of the value for money initiatives and achievements over the year include:

- Successful completion of the implementation of a company-wide Enterprise Resource Planning (ERP) change programme which concluded in November 2019, one of the largest projects of its type in Europe. Focus is now on leveraging the benefits of the system - driving efficiencies and creating future capacity, by allowing digitalisation of processes and innovation in ways of working.
- Through active procurement management, over £7.7 million of savings related to 2019/20 and beyond were delivered. Over 70% of the savings (£5.6 million over five years) are related to six maintenance & repairs contracts. All savings are documented in a register, independently verified and reported on a regular basis.
- Other achievements include savings of £0.3 million on domestic electrical fixed wire testing, £0.6 million on legionella and water hygiene services, and £0.3 million savings from IT related procurement activities (licenses, computers and IT support).

Financial Performance

Clarion uses a suite of key performance measures to identify and track our efficiencies, benchmark against our peers, and to ultimately drive value for money across the organisation. Primarily this is done through our active participation in the Sector Scorecard initiative.

The Sector Scorecard provides a consistent framework for measuring and benchmarking of performance across housing associations. It consists of 15 measures across five areas - Business Health, Development, Outcomes Delivered, Effective Asset Management and Operating Efficiencies. The scorecard also incorporates the seven specific metrics required by our regulator in our value for money reporting. As part of this process we benchmark ourselves against the largest London based associations - the G15.

The following section provides some key observations of our performance across the five areas of the sector scorecard. Tables under each section shows the output of this benchmarking including Clarion's performance over the current and prior year with a comparisons to the G15 for 2018/19 (the last publicly available data) and 2017/18 showing the average and our ranking against our peers. The regulator VFM measures are identified with a tick under the heading of RSH VFM.

1. Business Health

Sector Scorecard – Business health	RSH VFM	Trend	2019/20 Clarion	2018/19 Clarion	2018/19 G15 Average	2018/19 Clarion Ranking	2017/18 G15 Average	2017/18 Clarion Ranking
Operating margin (social housing lettings)	✓	↓	32.4%	36.6%	32.7%	4/12	34.2%	4/13
Operating margin (overall, excluding disposals)	✓	↓	27.8%	30.5%	24.5%	2/12	28.4%	1/13
EBITDA MRI interest cover	✓	↑	151.3%	133.9%	116.8%	5/12	147.6%	8/13

The business health remains in a strong position reflecting our financial capacity, stability and headroom against banking covenants. Our EBITDA MRI interest cover at 151.3% has improved in the year through a combination of strong operating performance and our ability to raise funding at sector-leading rates. This measure was in the middle of our peers last year and would be expected to improve for the current year when public data is available.

Supporting our EBITDA MRI measure is our continued strong operating margins. Although the overall operating margin remains strong at 27.8% with an 18/19 ranking of 2/12 to our peers, it has declined in the year due to increasing market sales activity (lower margin) and increased pressure on operating costs. Likewise our social housing lettings margin of 32.4% has reduced from 36.6% to be just under the average G15 margin. There are two key areas that contributed to higher operating costs - depreciation and amortisation, and repairs and maintenance.

- The £10.4 million increase in depreciation and amortisation reflecting growth and investment in housing assets along with the implementation of new IT technology and platforms to improve customer service, innovation and longer term operating efficiencies.
- To drive greater value for money and customer satisfaction, we are moving the focus from reactive repairs to preventative planned maintenance, especially in areas concerned with fire-safety. This resulted in higher investment in planned maintenance compared to prior year (£3.0 million net increase).

Looking ahead, we will continue to focus on delivering efficiency gains to fully realise the benefits of our merger and single ERP platform. This will improve our underlying operating margins although the overall group operating margin will be further diluted through growing development sale activity (both shared ownership and market sale).

2. Operating efficiencies

Sector Scorecard – Operating efficiencies	RSH VFM	Trend	2019/20 Clarion	2018/19 Clarion	2018/19 G15 Average	2018/19 Clarion Ranking	2017/18 G15 Average	2017/18 Clarion Ranking
Headline social housing cost per unit	✓	↓	**£4,372**	£4,528	**£5,209**	**3/12**	£4.870	5/13
Management costs per unit		↑	**£872**	£723	**£1,154**	**2/12**	£1,269	2/13
Service charge costs per unit		↑	**£521**	£511	**£745**	**1/12**	£687	2/13
Maintenance costs per unit		↑	**£1,601**	£1,591	**£1,450**	**10/12**	£1,280	13/13
Major repairs expenditure per unit		↓	**£123**	£136	**£103**	**3/6**	£119	4/7
Capitalised major repairs expenditure for period per unit		↓	**£939**	£1,144	**£1,005**	**10/12**	£841	11/13
Other costs per unit		↓	**£315**	£422	**£567**	**3/12**	£673	3/13
Rent collected as % of rent due		↑	**99.5%**	98.8%	**99.6%**	**7/7**	99.9%	8/12
Overheards as a percentage of adjusted turnover		↑	**12.3%**	10.2%	**14.3%**	**3/12**	11.4%	4/11

A key of objective of the merger to form Clarion Housing Group in 2016, was to drive operating efficiencies. Our benchmarking in previous years identified the headline social housing cost per unit as an area for additional focus. This year has seen an improvement with the headline cost per unit decreasing by £156 - from £4,528 to £4,372, which is below G15 2019 weighted average of £5,209, putting us in the top quartile of our peers.

We recognise that a business of our size can leverage economies of scale to deliver greater value at lower cost. At the same time we realise that transforming a business takes time and requires investment before benefits can be fully realised. Key observations with regards to operating efficiencies are:

- Management costs and service charge costs per unit, although increased this year, benchmark well across our peers, being well below the average G15 measure. This is an area we will continue to focus on as we deliver savings driven by new ways of working, such as the recent restructure of the Housing Management team which will save an estimated £1.6 million in future years.
- Maintenance cost per unit at £1,601 continue to be above the G15 average, however our ranking amongst our peers has improved to 10/12 (prior year 13/13). As highlighted, we are changing the focus to increased planned maintenance which in the medium term will result in lower ongoing response maintenance costs.
- Property investment (major repairs expenditure and capitalised major repairs) at £1,062 has reduced from the prior year, partly impacted by Covid-19 at the end of the year. We continue to invest in our fire safety remedial programme with £18 million invested in the year (total to date £50 million) and a further £100 million planned for the next 5 years. We also recognise that the Clarion 2040 programme will drive additional investment as will the longer term need to achieve the 2050 zero carbon target. Our focus is therefore ensuring that this additional investment is achieved in the most effective and efficient manner.
- Total cost per unit is also a key measure that is used by Clarion to measure efficiency - this differs to the above measures as it considers all operating costs (e.g. depreciation and amortisation) and all units (e.g. includes non-social) in its calculation. This year we are reporting £4,576 per unit which is a £135 increase from 2018/19, and remains above our longer term merger target of £4,000 per unit.

In 2019/20, our rent collection rate improved to 99.5% but does remain slightly behind our peers, as our new systems and processes are being refined and embedded across the organisation. It is also likely that the current year performance will be affected by the Covid-19 pandemic.

3. Development (Capacity and Supply)

Sector Scorecard – Development (Capacity and Supply)	RSH VFM	Trend	2019/20 Clarion	2018/19 Clarion	2018/19 G15 Average	2018/19 Clarion Ranking	2017/18 G15 Average	2017/18 Clarion Ranking
New supply delivered: absolute (social and non-social)		↑	**2,101**	1,226	**1,140**	**4/12**	814	3/13
New supply (social housing units)	✓	↑	**1.5%**	1.0%	**1.67%**	**11/12**	1.35%	10/13
New supply (non-social housing units)	✓	↑	**0.2%**	0.1%	**0.8%**	**11/12**	0.5%	11/12
Gearing	✓	↑	**53.3%**	52.7%	**47.5%**	**10/12**	44.7%	10/13

A key strategy at merger was to deliver efficiencies and increase the size of the development programme. This is now starting to come through with a record of 2,101 new homes delivered of which 1,810 were for affordable tenures (2018/19: 1,163) - a 56% increase. Also of note, the affordable proportion at 86% significantly exceeds our target of least two-thirds. Our longer-term delivery target is to consistently build 4,000 new homes each year. We are now making good progress to achieving this although it is likely that the Covid-19 epidemic will delay the achievement of our target.

With reference to our peers, our new supply delivered in absolute numbers is now above the G15 average, and our new supply of social housing units percentage has moved us closer toward the G15 average.

The increase in development is partially facilitated by increased funding/debt as reflected in gearing increasing from 52.7% to 53.3%. This demonstrates our commitment to boost supply of new affordable housing units, even in the low-grant environments which we are now experiencing. Our gearing remains above G15 weighted average of 47.5%, ranking 10/12 in 2018/19 but we believe this is sustainable and supported by our strong operating metrics.

4. Outcomes delivered

Sector Scorecard – Outcomes delivered	RSH VFM	Trend	2019/20 Clarion	2018/19 Clarion	2018/19 G15 Average	2018/19 Clarion Ranking	2017/18 G15 Average	2017/18 Clarion Ranking
Total social housing units owned and / or managed at period end		↑	**108,776**	108,652	**43,448**	**1/12**	39,124	1/13
Customer satisfaction		↑	**80.9%**	80.5%	**83.2%**	**6/7**	76.8%	5/13
Reinvestment	✓	↑	**6.8%**	6.6%	**6.1%**	**4/12**	5.8%	7/12
Investment in communities		↑	**£16.7m**	£12.4m	**£3.7m**	**1/5**	£2.8m	1/13

Customers are at the centre of our organisation and as such we have a target to achieve a minimum of 80% satisfaction across all areas. In 2019/20 we achieved an 80.9% satisfaction rating and we also saw our customer complaints decreasing. Our continued Investment in technology, better processes and improvements in performance of repairs & maintenance teams have contributed to this improvement.

We are however focussed on improving customer satisfaction even further as our performance is still below G15 average of 83.2%. This will be a key action area as we change our ways of working and leverage our new technology platform.

Our commitment to improve quality of existing stock and grow a supply of new homes has resulted in an improvement in our reinvestment rate to 6.8% this year. This is above the G15 weighted average performance of 6.1% in 2018/19 and shows our commitment to invest in both new and existing homes.

The investment in our residents and communities continues to be a priority for Clarion. We have a target to invest £50 million over five years through our charity Clarion Futures with the 19/20 investment of £16.7 million equating to 4.5 times the G15 average.

5. Effective asset management

Sector Scorecard – Effective Asset management	RSH VFM	Trend	2019/20 Clarion	2018/19 Clarion	2018/19 G15 Average	2018/19 Clarion Ranking	2017/18 G15 Average	2017/18 Clarion Ranking
Return on capital employed (ROCE)	✓	↓	**3.4%**	3.7%	**2.8%**	**3/12**	3.5%	4/13
Occupancy		↓	**98.3%**	98.6%	**98.6%**	**4/6**	99.5%	11/11
Ratio of responsive repairs to planned maintenance		↓	**71.7%**	64.8%	**53.9%**	**8/12**	64.0%	8/13

Return on capital employed (ROCE) provides a measure of the financial return on our capital base but clearly has to be balanced against our other charitable and non-financial measures – for example, a new social rent property has a very low ROCE but high social value. This year our ROCE has declined to 3.4% from 3.7% in 2018/19. This reflects our focus on increasing the investment in new homes but also maximising the affordable proportion and hence receiving a lower return. We believe the strategy we have is sustainable, this being supported by our upper quartile position in G15 rankings. Occupancy rates is an important measure of how efficient and effective we are at turning around void properties and keeping existing tenancies. Our occupancy rates declined slightly to 98.3%, partially attributable to the Covid-19 outbreak which saw lettings fall in March giving a monthly occupancy of 97.8%. This will only improve once lock-down measures begin to be released and lettings can resume normal activity.

Our occupancy rates are marginally below the G15 average of 98.6% in 2018/19. Where appropriate and in line with our Clarion 2040 strategy, we will invest capital to improve our stock to make it more desirable to our customers and dispose of properties that are inefficient for us to manage. These actions will help to improve this ratio in the future.

The ratio of responsive repairs to planned investment has increased from 64.8% in 2018/19 to 71.7%. This was driven primarily by a reduction of £22 million in capital major repairs as lock-down impacted major investment towards the end of the year. Our ratio is above G15 average of 53.9%, ranking 8/12, in 2018/19. As noted earlier, we are increasing the level of planned investment but it will be a period of time before it impacts the level of response repairs.

Clarion Futures and Social Value

This year Clarion increased its investment in communities to £16.7 million, an increase of £4.3 million since last year (2018/19: £12.4 million). This represents a 110% increase since the first year of the merger (£7.9 million) during which time, the level of output has increased by an average of 350% across all the programmes delivered. To achieve the best value for money Clarion Futures, our charitable foundation, sets targets against 30 Key Performance Indicators (KPIs) across six guidance and support areas.

- 4,612 digital skills training hours were delivered, well surpassing the target of 3,800, and community volunteers, our 'Digital Champions,' delivered 3,465 hours, exceeding a target of 2,800.
- £211,000 of internal and external grant funding was secured by our Money Guidance team to help residents, surpassing the target of £200,000 however the 3,512 debt advice cases supported fell slightly short of the 3,700 due to the impact of the Covid-19 pandemic at the end of the year.
- 58,193 positive engagements in communities took place however the target for community land and building physical improvements was not achieved due to funding delays, which meant we were able to improve a combined 21,737sq.m of space against the 35,000sq.m target.
- For another year running, our jobs and training service surpassed its 3,500 target and supported 3,834 people secure employment. Using the recognised HACT social value model, the work carried out by Clarion Futures has delivered £130 million in social value, increasing from £125 million delivered in the prior year.

Alongside the social value delivered by Clarion Futures, there is huge value delivered in Clarion's core mission – to provide affordable housing to those failed by the market. For the second year, we have attempted to value the financial benefit or savings associated with our below market rents. During this year, this amounted to £430 million, a significant increase on the £350 million delivered last year and equivalent to £8 million per week.

It is worth noting that if this return and the Clarion Futures social value were added into the calculation of return on capital employed, Clarion would have generated a ROCE of 10.0% - an impressive performance and a clear demonstration of Clarion's focus on delivering value for money.

Principal risks and uncertainties

Risk management in delivering our strategic ambitions

We are a business that owns and manages housing assets, utilises long-term finance and derivative instruments and maintains the majority of our properties in-house; all activities that carry significant reputational, regulatory, financial and compliance risk. Successful risk management is therefore a fundamental part of our business as we pursue our strategic objectives.

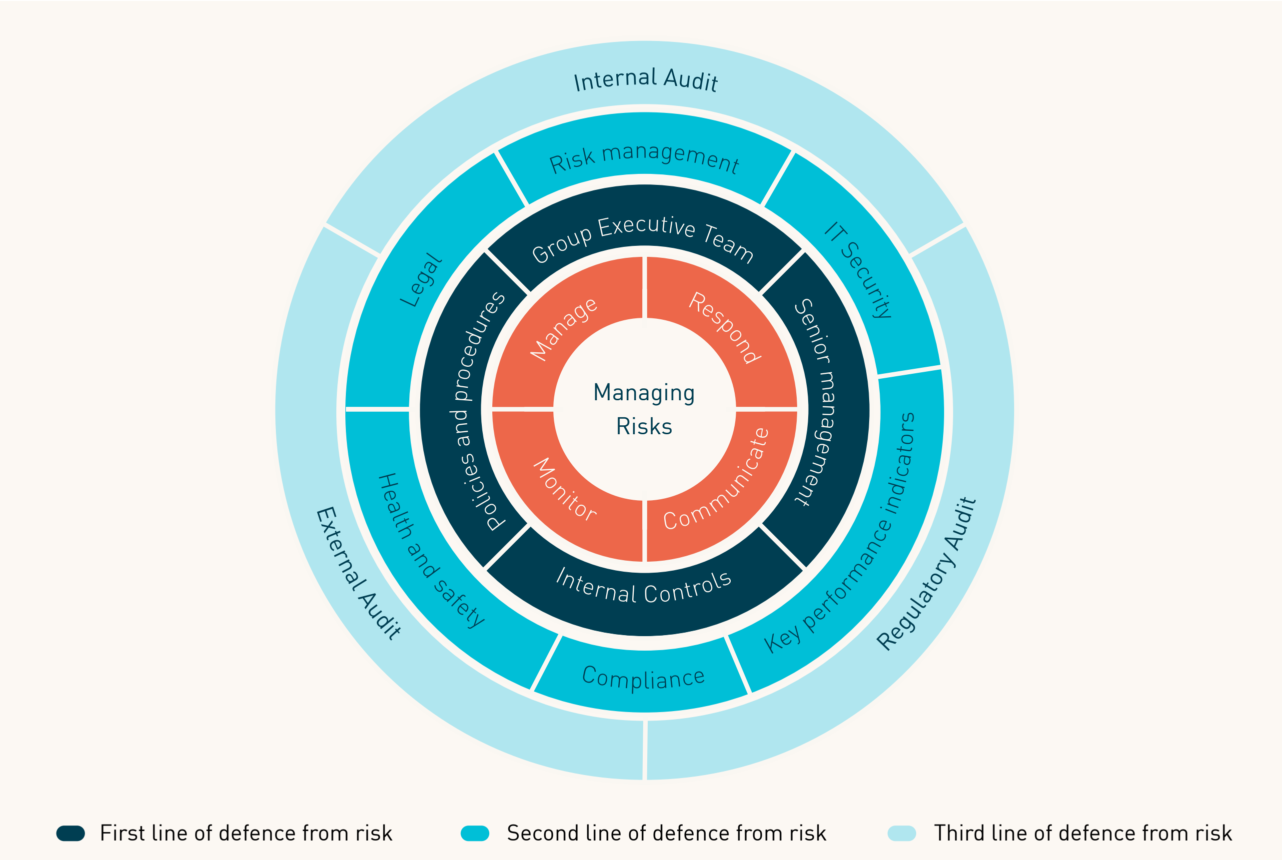
Our strategy is to deliver a sustainable long-term return to enable us to fulfil our charitable objectives – helping those in housing need. We focus on those risks facing our business which may otherwise threaten the Group's ability to support our residents, to invest in and maintain our existing homes and to deliver new homes.

Risk management framework

The Group Board has overall responsibility for risk management with a particular focus on our risk appetite – i.e. the degree and type of risk it is prepared to take to achieve our overall objectives. This is set within the context of the rapidly changing external environment including regulatory, political and economic change, all of which can have significant and immediate impacts on our business. Our risk management framework is key to ensuring we achieve a suitable balance between maintaining sufficient financial and risk capacity while maximising our outputs and ambitions.

The risk management framework is built around the three lines of defence model and builds upon our core approach, which is to monitor, manage, respond and communicate. This is shown in the diagram below.

The Audit and Risk Committee oversees the effectiveness of the assurance arrangements, systems and processes adopted by the Group to manage risk with a focus on the Group's strategic risks. The Committee also provides specialist advice to the Board on any particular risks that may threaten the delivery of objectives or undermine the financial strength of the business. The Group Executive Team is responsible for the delivery of



the Group's strategy and managing risk, having day-to-day responsibility for operational performance and the management of risk within the business.

To be effective, risk management relies on the engagement of all parts of the business. This approach is an integral part of the way we work, with all key parts of the business owning and managing their own operational risk registers. These are regularly reviewed allowing for their escalation within the business as appropriate and potential inclusion on the Group strategic risk register.

The risk management process includes assessing each risk for its impact and probability, scored both before and after mitigating actions. A standardised risk-scoring methodology is used to ensure a consistent approach is adopted. Each risk also has a target score set in line with our risk appetite. Where this is below the current risk score, further actions and mitigating plans are developed to further reduce the level of risk the business is incurring.

Risk appetite

Our risk appetite is determined by the Board and is influenced by the capacity of the business to manage the risk if it were to materialise, the longer-term consequences of the risk and the return we achieve by taking such risks. The most significant judgements are associated with our investment decisions on development schemes, our asset strategy and reinvestment priorities, our customer offer and our obligations under regulation, legislation and maintaining sufficient financial capacity and headroom. In general, we have a low level of appetite for risk which would impact our record on regulatory compliance, health and safety record, and reputational damage. We have a higher level of risk appetite for new business and opportunities for growth.

We monitor our effectiveness in managing risk through key indicators, enabling us to take swift and appropriate action arising from changes in the operating environment and to ensure we remain within the risk appetite levels determined by the Board.

Risk focus this year

The last year has seen a challenging operating environment year, initially dominated by Brexit and then followed by a period of political uncertainty. The new year saw a period of stability return but this was soon superseded by the emergence of Covid-19. Throughout this period, the Board ensured that effective risk management practices were put into operation and the Group retained capacity to deal with any further unexpected issues.

We have throughout continued to focus on investing in our existing properties and mitigating the risks that have become apparent following the Grenfell Tower tragedy. This will continue to be a major area of investment into the foreseeable future as new legislation is introduced, although we are, where feasible, pre-empting such legislation and making early investments.

Our customer service remains a priority, and we recognise the risk of not delivering a good service to our customers, most of whom do not have alternative choices of where to live. We continue to seek customer feedback to improve our services, with our most recent focus being on improving our maintenances services and building our digital offer. Whilst digital platforms are the preferred way of engaging for many of our customers, we will always recognise there are some who will need a one-to-one personal service and we will ensure we maintain this offer.

Brexit risks, including supply chain concerns, exposure to market sales and managing risks around our funding requirements were regularly tracked, managed and mitigated during the year. Although of lower profile recently, the Group remains well positioned to deal with any emerging Brexit related issues.

We continue to increase our provision of new affordable homes but recognise building at scale, especially in uncertain economic times, carries significant risk. We understand the financial strength required to withstand this risk, and our investment appraisal methodology means we are careful about the projects we select and we are demanding of the financial return.

Although falling right at the end of the financial year, the biggest single risk to crystallise for the business (and the nation) was the emergence of Covid-19. In response, we mobilised our business continuity steering and planning groups which oversaw the Group's actions to move to homeworking and maintain emergency and critical services. The focus then turned to the recovery phase and at the time of writing, the Group was beginning to implement recovery plans to return to normal levels of activity and address the accumulated backlog. Our risk framework does however continue to allow for a resurgence in Covid-19 and further lock-downs.

Our key risks and uncertainties are shown in the table below along with our mitigation measures:

Key risks, uncertainties and mitigation measures

	Risk Description	Impact	Mitigation	Change in year
1	**New ways of working are not successfully embedded**	Reputational impact Customer service fails to meet regulatory requirements Loss of customer confidence Impact on our regulatory standing Efficiencies not realised	Dedicated resources devoted to improving core services Investment in sector leading IT platforms Active involvement of Executive and Board in resolution Suite of reporting metrics focused on rectification Business continuity arrangements	Successful migration to our new IT platforms, enabling standardised ways of working to be rolled out across each service area. We are now focussed on leveraging the platform to enhance our digital offering for customers and drive operational efficiencies into the business. Lockdown caused a reduction in service standards but we are now working to progressively restore service levels. Office based operations successfully transitioned to working from home proving a flexibility that will be incorporated into our future plans.
2	**Our new and existing homes standard is not fit for purpose**	Housing stock is non-compliant or hard to let Unsold new builds Retro-fitting is required sooner than necessary Poor quality leads to increased whole life costs.	Clarion 2040 standard Investment in Development team resources and skills Safety policies and standards Quality control/sign off and clear acceptance criteria.	Our Clarion 2040 standard enables us to systematically identify stock that requires investment whether through major works or regeneration. Progress with major regeneration schemes, removing unviable stock and rebuilding with modern, efficient properties. A continuous review programme to assess the best use of our stock resulting in large stock transfers to other providers with full tenant consultation. We continue to monitor carefully the quality of our new build units.
3	**Financial shock**	Increased cost of funds and lack of available debt Increased counterparty risk Hedging arrangements ineffective Business capacity reduced Residents financial position deteriorates Supply chain failures	Market scanning and stress testing undertaken Investor relationship management Specialist Treasury Committee and advice for Board Maintain high levels of committed funding Support residents with advice, guidance, training etc. Ongoing monitoring of supply chain and identification of alternative suppliers Cautious approach to new capital investments	Raised £550 million of new capital market funding and developed two new banking relationships with £200 million of revolving credit facilities. Increased levels of available liquidity. In excess of £16 million spent by Clarion Futures supporting residents. Re-phasing of development targets to reflect more cautious approach to development until normal conditions resume. Scenarios developed to test and prove capacity to deal with materially more adverse conditions. Additional mitigating actions identified but not implemented at this stage.

	Risk Description	Impact	Mitigation	Change in year
4	**Major or series of Health and Safety incidents**	Serious incident involving death or injury Criminal and/or civil proceedings Reputation impact	Regular board reporting and oversight Dedicated specialist personnel Fire improvement plan Routine compliance testing and checking	Our approach on fire safety actions and investment has been adapted to take account of recent guidance and regulation. We continue to liaise with Government bodies to develop best practice approaches. Social distancing requirements have recently impacted compliance levels but focus is now on recovery as restrictions are eased.
5	**New homes are not delivered in line with our agreed development strategy**	Adverse operational and financial impact Negative reputational impact	Investment strategy agreed including move to land-led development Pipeline of 17,000 homes Recruitment of skilled and experienced development staff Careful monitoring of market conditions with investment plans moderated accordingly.	Exceeded delivery targets for new homes although sales of market sale properties were impacted by Brexit. Demand picked up in the new year before sales were curtailed by Covid-19. In light of Covid-19, development plans remain under review and a cautious approach to new schemes is being taken. House builders initially closed down sites but these are now gradually re-opening. Post year end, sales activities and reservations are recovering well though it will take time for the market (including mortgage approvals) to return to pre Covid levels
6	**Availability and retention of a skilled workforce**	Shortage of key skills High turnover Increased costs	Apprenticeship scheme Talent and succession review Attractive employment offer with a social purpose In-house recruitment team	Good track record of recruiting to posts, including those new to the sector. Ambitious plans appealing to those looking for new opportunities. Investment in staff training and development – internal progression opportunities. Strong and sustainable business is likely to be even more attractive as external employment market toughens in 20/21.
7	**IT security and cyber-attack threat**	Loss of customer confidence Loss of stakeholder confidence Loss of income Reputational risk	Security review Routine penetration testing Staff training Implementation of leading technologies on hosted, secure platforms Audit and Risk Committee oversight	Risk remains high as external volatility and change (e.g. Covid-19) presents opportunities for fraudsters. Significant ongoing investment in recognised tier 1 IT systems. Continued focus on raising employee awareness. Strengthening of internal controls.

Key: No Change Risk Increase

Clarion Housing Group Board

David Avery, Group Chair
First appointed: October 2015

David has over 15 years' experience serving on housing association boards with more than six of these spent serving as chairman. Before becoming Group Chair at Clarion, he was previously Chair of the Clarion Housing Association Board having beenappointed in May 2017.

Previously, David has held a variety of executive and management roles. He was most recently President of European Operations for Novellus Systems Inc, a Fortune 500 company. David has also been governor of an independent school in West Sussex and a non-executive director of an NHS Trust.

Sue Killen, Vice Chair
First appointed: April 2012

Sue is Chair of the Pharmaceutical Services Negotiating Committee and the Katie Piper Foundation. During her executive career she was the CEO of St John Ambulance for 10 years and the interim CEO of the Nursing and Midwifery Council.

She is a former senior civil servant who worked for a range of Government departments including as a Director General at the Department for Transport and the Director at the Home Office responsible for leading work on tackling drug misuse. She also led an Independent review of children and young people's palliative care.

Gavin Barwell
First appointed: December 2019

Gavin served as Chief of Staff to Prime Minister Theresa May from June 2017 to July 2019, having previously served as the Minister for Housing and Planning between July 2016 and June 2017 and as the Member of Parliament for Croydon Central from 2010 to 2017. He was also a councillor for the London Borough of Croydon between 1998 and 2010.

John Coghlan, Chair of Audit and Risk Committee
First appointed: July 2017

John is a chartered accountant and has a background in financial and general management across a variety of sectors. Currently, John is also a Director of the water group, Severn Trent plc, and chairs for them both their Audit Committee and the Treasury Committee, as well as chairing their wholly-owned operating water subsidiary in Wales, Hafren Dyfrdwy. He is also a director of OCS Group Ltd, an international facilities management group.

Graham Farrant
First appointed: November 2019

Graham is Chief Executive of Bournemouth, Christchurch and Poole Council. He has led complex political organisations as Chief Executive in both the public and private sectors with a track record of delivering change. Graham brings a background in housing and local government.

Amanda Metcalfe
First appointed: November 2019.

Amanda is a highly experienced marketing director, having held a range of digital and consumer roles at organisations such as eBay Inc., where she was UK Marketing Director, before taking up her current role as Place, Brand and Marketing Director at the Crown Estate - a £14.3 billion UK real estate business.

David Orr CBE, Chair of the Clarion Housing Association Board
First appointed: November 2018

David is the former Chief Executive of the National Housing Federation (NHF) and spent 13 years in one of the most high profile and strategically important roles in the sector. In his time as the CEO of the NHF, David campaigned to advance the interests of housing associations at all levels of government and worked with four different prime ministers.

David has had a thirty year career in housing, which includes time as the Chief Executive of Newlon Homes and working for Centrepoint, the homelessness charity. He is a former president of Housing Europe and was previously the Chief Executive of the Scottish Federation of Housing Associations.

Greg Reed
First appointed: July 2017

Following a 20-plus year international career in banking, in 2012 Greg joined HomeServe Membership, the biggest business in the HomeServe Group, as its UK chief marketing officer, becoming CEO in June 2017. Greg now leads a business of over 3,000 people, including 1,000 field engineers. In 2016, HomeServe Membership was recognised as one of the three best places to work in the UK; in the same year, the Institute of Customer Service judged HomeServe to have the most improved customer satisfactory of any business in the UK services sector.

Greg's undergraduate degree was in Finance from Pennsylvania State University and he also holds a doctorate in Law from Widener University School of Law.

Rupert Sebag-Montefiore, Chair of Latimer
First appointed: July 2017

Rupert retired from Savills plc in 2017 where he was on the main board, followed by the group executive board, for 21 years. Rupert is chairman of Prime Purchase Limited, a trustee of the Orchestra of the Age of Enlightenment, a member of the Investment Committee of Winchester College and Christ Church, Oxford and a director of Pigeon Land Limited.

Tom Smyth, Chair of Treasury Committee
First appointed: December 2019

Tom became of Chair of Treasury Committee in March 2020. Tom is Executive Vice Chairman, Financing Advisory and an Advisory Partner at Rothschild & Co, one of the world's largest independent financial advisory groups. During his 23 years at Rothschild & Co, Tom has advised the boards of the biggest listed and private equity owned companies on their funding, risk management and treasury strategies. During his career, Tom has also advised numerous organisations in raising debt in the capital markets and is a qualified member of the Association of Corporate Treasurers.

Group Executive Team

Clare Miller
Group Chief Executive

Clare was appointed Group Chief Executive in 2018 having previously served as Group Director of Governance and Compliance since Clarion formed in 2016, prior to which she fulfilled the same role with Affinity Sutton.

Earlier in her career, Clare has been an Executive Director at the Tenant Services Authority, with responsibility for housing association regulation. She has also worked for the Housing Corporation, where she led on the financial regulation of associations in special measures. Clare is a chartered accountant, qualifying with Coopers & Lybrand.

Richard Cook
Group Director of Development

Richard joined Clarion in February 2019 from Lendlease where he was responsible for developing its residential business in Europe. Joining Lendlease in 2010, he held a key leadership role In the delivery of the London 2012 Athletes' Village.

With over 25 years' experience in property working both in the UK and overseas with companies including Mace Group and Taylor Wimpey Plc, Richard leads the Group's development business and is the director responsible for the group's sustainability strategy.

Q: How has your directorate made an impact this year?
A: We have secured both a number of significant land deals and a number of joint ventures with partners who share our values as an organisation. These will enable us to continue our growth strategy and create great sustainable communities that can thrive. We also exceeded our own target and completed over 2,000 new homes, over 80% of which were affordable. That will mean making a difference to the lives of over 2,000 households from a range of backgrounds, whether it's a family who has been struggling in overcrowded temporary accommodation getting the keys to a home to call their own or a helping a hard working key worker, otherwise priced out of home ownership, to get a foot on the property ladder.

Mark Hattersley
Group Chief
Financial Officer

Mark joined Clarion from Sovereign Housing Association where he was CFO for three years. Prior to joining Sovereign, he was Director of Finance & Infrastructure / Deputy CEO at Staffordshire University and has been Finance Director at Birmingham International Airport.

Q: How has your directorate made an impact this year?
A: Being a financially strong organisation underpins everything we do. It means we are resilient, and can continue to fulfil our purpose as well as progress and deliver on our ambitions. What I'm particularly proud of this year is the £350m we raised in our first ESG certified bond issue that broke the record for the lowest interest rate for a primary bond issuance by a housing association. To me, it signalled a vote of confidence in the strategic direction of the Group and a recognition of our strong ESG credentials, allowing us do even more in this space.

Catrin Jones
Group Director
of Corporate
Services

Prior to the merger to form Clarion, Catrin joined Affinity Sutton as Director of Customer Services having held a number of senior customer service roles in various sectors. After the merger, Catrin was appointed Director of Business Transition, playing a vital role in the Group's transformational change programme. Catrin has responsibility for a range of corporate services including HR, Facilities, Deeds, Governance, Health & Safety, Internal Audit and Legal Services.

Q: How has your directorate made an impact this year?
A: My directorate spans a range of teams, each of which has played an important role in the Group's excellent performance over the last year. This has resulted in the Regulator reaffirming our G1/V1 status, the top regulatory gradings available for governance and viability. We are a responsible organisation and my teams have been committed to making sure we uphold the highest standards - for our residents, our staff and our partners.

Rob Lane
Group Commercial Director

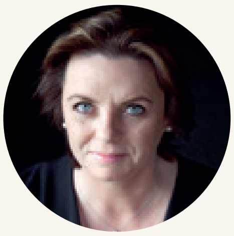
Rob joined Clarion at the time of the merger as Director of Commercial Finance. A qualified accountant, Rob's career has included appointments in senior finance and director roles in the Domino's Pizza Group and Network Rail Property. Rob is responsible for Clarion Response, Grange and House Exchange, as well leading on Clarion's PRS & Commercial Asset portfolios. Rob also leads on strategic asset management, including regeneration & disposal, and the Group's approach to future mergers and acquisitions.

Q: How has your directorate made an impact this year?
A: We have been committed to making sure our residents' homes are safe and comfortable and to this end we have championed the Clarion 2040 strategy this year. Quality is always our driver and our in-house repairs service delivered another strong year's performance, improving customer satisfaction from what was already a great score in the year prior. We have also conducted three successful asset transfers, hailed as examples of best practice, in order to tighten up our geographical footprint and enable us to deliver more new homes in areas of demand and our commercial revenue was ahead of our expectations, contributing to the Group's solid financial performance.

Michelle Reynolds
Chief Operating Officer

Michelle was formerly Clarion's Group Director for Commercial Services and has served on the Group Executive team since Clarion was formed. Michelle has over 30 years' experience and her previous roles include operations directorships at Affinity Sutton and William Sutton, and Chief Executive of Aashyana, the South West's first Asian-led housing association.

Q: How has your directorate made an impact this year?
A: My directorate has been working tirelessly this year to provide a great landlord service for our residents, to make sure they're heard and to go the extra mile for them. Testament to this is our 80.9% customer satisfaction score, which we have managed to maintain while rolling out new ways of working, which will ultimately benefit our residents and improve the customer experience but like all new things, will take time to bed in. Our customers are at the heart of our business and we expect high standards for them and strive for nothing less.



Catherine Thomas
Group Director of Corporate Affairs

Catherine brings extensive knowledge and experience of the property sector combined with strong operational leadership and strategic management skills to the Group Executive Team. Prior to joining Clarion in February 2020, Catherine held senior marketing and communications roles in real estate and retail and has a particular affinity with tech, data, content, reputation and experience convergence. Her skills in place making and destination marketing were honed at Land Securities, where she led the communications team for Victoria SW1, including Nova, the highly successful mixed-use complex. She has also worked on major European and Middle Eastern real estate projects.

Q: How has your directorate made an impact this year?
A: We utilised our voice on behalf of our residents this year by taking a closer look at the issue of in-work poverty and working with the Resolution Foundation to propose a framework of useful and practical recommendations that could help tackle this. It's really important for me that we use our scale and expertise to help improve lives and lead our sector to achieve positive impacts. We have been able to do this through a number of forums throughout the year including with our residents. This year especially, has demonstrated that collaboration across our sector, our supply chain and our broader stakeholder group has economic, societal and environmental impacts.

Ian Woosey
Chief Information Officer

Ian joined Clarion in February 2018 as the Group's first Chief Information Officer. Ian has worked in technology leadership, consulting and retail operations roles during his career, often leading large scale change programmes across Europe. Prior to joining the Group, Ian was Chief Information Officer for the UK's largest food distribution company Brakes and previously at Carpetright.

Q: How has your directorate made an impact this year?
A: My directorate has lead the largest transformation of its kind anywhere in Europe. The work that went into making it happen was monumental and the launch of our new ERP and CRM systems has been a massive milestone for the business. Our new ways of working and technology are going to help us to do so much more to support our residents through innovative digital services.

Governance structure

Clarion Group Board

The board directs the affairs of the association in accordance with its objects and rules and ensures that its functions are properly performed. The board is responsible for delivering the aims and objectives of the Group as well as ensuring compliance with the values and objectives of the association and the Group as a whole.

It approves each year's accounts prior to publication and approves each year's budget. It appoints (and if necessary removes) the Group Chief Executive.

Audit and Risk Committee

Advises the Group and subsidiary boards on the effectiveness of assurance arrangements across the group. Has oversight of the risk framework, advising the Group on the effectiveness of arrangements. Receives reports on Conflicts of Interest for the Group.

Remuneration and Nominations Committee

Responsible for Board member appointments and renewals, the appointment of the Chief Executive and for Board and Executive succession planning. Agrees the remuneration strategy for all employees and remuneration for the Group Chief Executive and executive directors.

Treasury Committee

Advises on funding strategy for the Group and provides expert opinion to the borrowers within the group.

Investment Committee

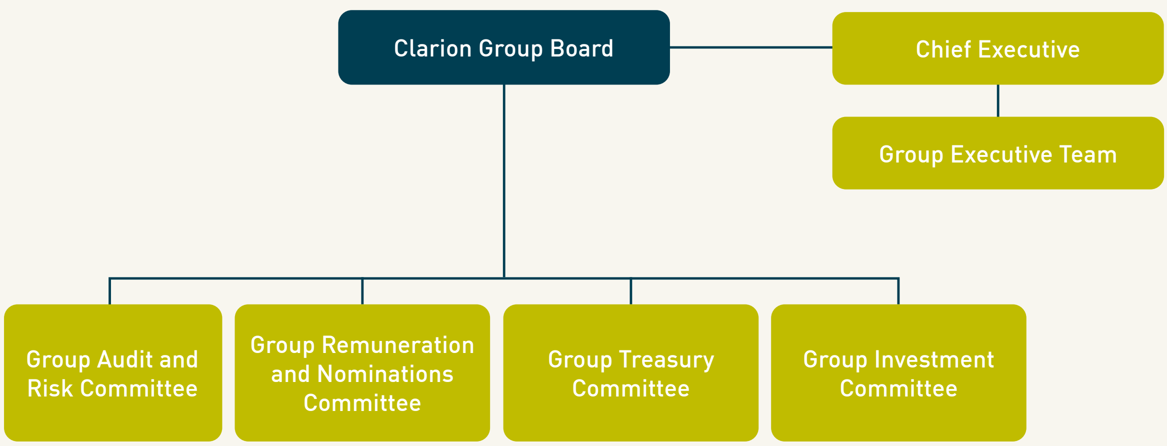
Responsible for scrutiny of all proposed projects involving major investment, by way of acquisition, development, regeneration or major repairs. Approves within delegated limits and recommends to the Group Board any projects outside agreed delegations.

Group Chief Executive

Responsible for managing the overall performance of the business and ensuring an effective and motivated leadership team is in place. Also leads on developing and implementing strategy.

Group Executive Team

Responsible for assisting the Group Chief Executive in the development and implementation of strategy, budget and operational performance.



Corporate governance

The Group Board is responsible for the effective governance of the Group while day to day management is delegated to the Group Executive Team.

The Group Board has ten Non-Executive directors and two executive directors who bring a broad range of skills, experience and knowledge to their roles, including expertise in finance, business and public administration. Non-Executive directors can serve no more than nine years in total. The Board has the collective skills to fulfil their responsibilities of overseeing the strategic direction of the Group.

The Group has adopted the National Housing Federation's (NHF) Code of Governance, based on clear requirements and commitments which enable the Board to demonstrate compliance with best practice in the housing sector. The Group routinely self-examines performance against the main requirements of the Code and regularly reviews its effectiveness. The Board has adopted clear terms of reference and has delegated appropriate responsibilities to a series of specialist committees.

The Group Executive has day to day oversight of the management of the business. The Group Executive has eight members, a number of whom have extensive experience within the UK housing association sector. They have operational responsibility for the management of risk across the business and provide the first line of defence in the management of corporate risk.

Clarion Group is the strategic parent of the group under which are three key business streams: the landlord, Clarion Housing; the development company, Latimer Developments; and the charitable foundation, Clarion Futures. A single housing association, Clarion Housing, owns all of the Group's social housing assets and delivers all housing services to residents.

The Board continues to facilitate resident involvement as various levels in the Group. This allows residents to engage from the very local, through to regional and national forums. Clarion has been an early adopter of the NHF resident involvement charter which aims to strengthen the relationship between housing associations and their residents. The Board values resident input and has actively encouraged resident scrutiny and accountability measures which have added value to the business. The Board continue to keep resident involvement under review. All residents have the opportunity to be involved in ways that are accessible and which meet their needs.

The key responsibilities of the Group Board are to lead, control and monitor the overall performance of the Group. The Group Board approves the budgets and business plans of its subsidiary companies and retains control through the ability to appoint and remove subsidiary board members. The Group delegates specific responsibilities to Group Committees under approved terms of reference.

Governance and Financial Viability Standard

The Group received a G1 and V1 rating from the Regulator of Social Housing in April 2020 following an in-depth assessment. The ratings represent the highest compliance ratings for governance and financial viability. The Board has considered its obligations under regulation and is satisfied that it complies in all material respects with the standards.

Report of the Remuneration and Nomination Committee

Membership of the Committee

Sue Killen, David Avery (joined 27 July 2019), Gavin Barwell (joined 16December 2019), Amanda Metcalfe (joined 1 November 2019), Brian Stewart OBE (resigned 26 July 2019), Neil Goulden (resigned 26 July 2019).

The Group has a combined Remuneration and Nominations Committee. Membership has been refreshed during the year with the exception of the Chair who remains the Chair to ensure continuity. The role of the Committee is to ensure that the Board has the skills and members to operate effectively, and to agree remuneration policies which are appropriate for the organisation's needs, balancing our absolute requirement to attract and retain the right staff with our social purpose. Board Members are appointed for a maximum nine-year term with review periods and the last three years of tenure are reviewed every year. We think that the experience gained over that time is invaluable. As a long-term investor in homes and property we value the experience and knowledge Board Members acquire over their term of office. Our Board understands the property market and the cycles it displays, which helps to manage and mitigate the risks of the business. The Board aims to undertake an external review every three years. In other years the Board conducts its own assessment with the Chairman appraising all Board Members' performance.

The Committee approves the annual pay remit for staff and sanctions any bonus or merit payments for all staff and senior executives. This takes into account the performance of the Group and whether the performance metrics for bonus have been met such as the financial performance of the Group and customer satisfaction with service delivery. The Committee maintains a watching brief on the market for recruitment, and this influences its thinking in agreeing the annual pay remit. We aim to pay staff in line with market conditions, recognising that for some roles and in some locations we create the market. The Committee is aware of its responsibility to create conditions which encourage and promote a diverse workforce. We publish details of the gender pay gap for the three employing entities in the Group.

Sue Killen,
Chair of Remuneration and Nomination Committee

Report of the Audit and Risk Committee

Membership of the Committee

John Coghlan (Chair), Kirstin Baker, Graham Farrant (from January2020), Aruna Mehta, Tom Smyth (from April 2020), David Avery (until July 2019), Tania Brisby (until February 2020).

The Committee includes three Non-Executive Group Board Members, a Non-executive member of Clarion Housing Association and one independent Non-Executive member. We have met regularly during the year and our focus is to ensure there are sound and effective systems of internal control and risk management along with scrutinising the financial statements and proposing them to the Group Board for approval.

We examine in detail the work of internal audit, and the risk framework, advising the Board of any new and emerging risks of which we consider the Board should be aware. The implementation of our new systems has remained a key area of focus with the final phase going live in November 2019. The Committee has also reviewed assurance over the business continuity and recovery plans for Covid-19. In support of the accounts, the Committee has considered the accounting policies and the significant judgements and accounting estimates.

Internal audit

Clarion has its own internal audit and risk function, led by the Director of Assurance. This is supplemented by the engagement of Ernst & Young as internal auditors to carry out specific internal audit reviews utilising their specialist surveying, IT and treasury skills. We believe this model gives us a suitably skilled and flexible resource for maximum coverage and benefit to the business.

The focus of the audit programme this year has been our new systems implementation prior to the final phase going live, where work has concentrated on lifts, water and our property and tenure data. In addition, work covering Clarion's key controls, IT security and disaster recovery, and new integrated payroll and HR systems has been completed.

External audit

KPMG are the external auditor and meet with the Committee a number of times during the year.

The year ahead

The future prospects for Clarion Housing Group remain positive. We are determined to deliver the benefits of our new systems to enhance our capacity and further our charitable mission. The policy environment is one of constant change, and the demand for our housing is unprecedented. We will therefore continue to maximise the delivery of our housing services and supply within our financial capacity and risk appetite. The Committee's role remains vital in overseeing the internal control and risk management environment, advising the Board and working closely with management to secure the best outcomes for those who benefit from our services.

John Coghlan,
Chair of Audit and Risk Committee

Report of the Treasury Committee

Membership of the Committee

Tom Smyth (Chair, joined 16 December 2019), Mark Hattersley, Kwok Liu, Aruna Mehta, Clare Miller, Maxim Sinclair, Tania Brisby (resigned 29 February 2020)

The role of the Committee is to assist the Group in discharging its responsibility in relation to treasury and financing activities. This also includes monitoring and advice on treasury policies, the appointment of bankers, financial intermediaries and advisers, the financing strategy, terms and conditions of any financing arrangements and investor relations.

During the year, the Committee played an active role in the new 15 year £350 million sustainable bond issue in January that broke the record for the lowest interest rate for a primary bond issuance by a housing association. The Committee reviewed and supported the introduction of two new banking partners and £200m of new revolving credit facilities along with a further £150m of capital markets funding. The Committee also continued to review and advise upon the Group's liquidity and treasury policies, security position and the significant derivative portfolio.

Tom Smyth,
Chair of Treasury Committee

Report of the Investment Committee

Membership of the Committee

Mark Hattersley (Chair), Richard Cook, David Fordham, Chris Hatfield, Andrew Hudson, Rob Lane, Clare Miller, Paul Munday (joined 1 December 2019), Michelle Reynolds.

The role of the Committee is to scrutinise and approve projects which involve major investment by way of acquisition, development, major repairs or regeneration. This includes considering the viability and suitability of projects based on finance, risk, equalities, environmental and sustainability issues.

The Committee is made up of executive members, along with non-executive members from both Clarion Housing Association and Latimer Developments. The non-executive members bring a wealth of experience in finance and development.

The Committee also has a role in ongoing monitoring of schemes to ensure they are progressing within the agreed parameters.

Mark Hattersley,
Chair of Investment Committee

Board statement on the effectiveness of the system of internal control for the period ending 31 March 2020

The Board of Clarion Housing Group Limited is the ultimate governing body for the Group and is committed to the highest standards of business ethics and conduct, and seeks to maintain these standards across all of its operations.

The Board is responsible for ensuring that sound systems of internal control exist across the Group which focus on the significant risks that threaten the Group's ability to meet its objectives, and provide reasonable - but not absolute - assurance against material misstatement or loss.

The key means of identifying, evaluating and managing the systems of internal control are:

- Corporate governance arrangements;
- Written Group-wide financial regulations and delegated authorities, which were subject to review during the year;
- Policies and procedures for all key areas of the business. These are reviewed periodically to ensure their continued appropriateness;
- A Group-wide Internal Audit function, structured to deliver the Audit and Risk Committee's risk-based audit plan. As well as having an in-house team, the Group uses the services of professional firms of auditors and other specialists as necessary. All audit reports are reviewed by the Audit and Risk Committee, which also receives updates on the implementation of agreed external and internal audit recommendations. Detailed reports on the Group's and subsidiaries' activities are also presented to senior managers so that recommendations for strengthened controls and improvement can be implemented promptly;
- A Group-wide Health and Safety function;
- Management structures providing balance and focus within the Group;
- A Group-wide risk management process, which enables management to manage risk so that residual risk, after appropriate mitigation, can be absorbed without serious permanent damage to the Group or its subsidiaries. This includes a formal risk management approach to new business and major development initiatives and action plans to mitigate the worst effects of the risks. Risk management is considered at each Audit and Risk Committee meeting, through reviews of individual risk areas and/or risk maps, as well as considered regularly by the Board;
- The Group and its subsidiaries have annual budgets and long-term business plans. Throughout the year, Boards and managers regularly monitored performance against budgets, value for money and other quality indicators. An important tool in this process is the Group's Balanced Scorecard which identifies performance against key performance indicators, underpinned by supporting performance indicators and management information;
- Regulatory requirements and service objectives with managers ensuring that variances are investigated and acted upon;
- An anti-fraud and anti-bribery culture which is supported by a policy and procedure for dealing with suspected fraud, bribery and whistleblowing. The Group has participated in the 2018/19 National Fraud Initiative, sponsored by the Cabinet Office;
- All housing investment decisions and major commitments were subject to appraisal and approval by the Investment Committee and, when appropriate, the Group Executive Team and the relevant Board, in accordance with the Group's financial regulations; and
- A Group-wide treasury management function reporting at least three times a year to the Treasury Committee.

We have kept our internal control framework under review as the current Covid-19 situation develops and adapted and strengthened controls as required.

The Group Chief Executive and executive directors of subsidiaries have reviewed the internal control and assurance arrangements by reference to checks on the above and a report has been made to the respective Boards on the effectiveness of the control systems for the year ended 31 March 2020 and up to the date of approval of the Annual Report and the Financial Statements. The Audit and Risk Committee and the Group Board have expressed their satisfaction with these arrangements.

Status

No weaknesses were found in internal controls which resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements, for the year ended 31 March 2020 and up to the date of approval of the financial statements.

Statement of Board's responsibilities in respect of the Strategic Report, the Report of the Board and the financial statements

The Board is responsible for preparing the Strategic Report, the Report of the Board and the financial statements in accordance with applicable law and regulations.

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

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

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

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

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

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

Going Concern

After reviewing the Group's budget for 2020/21 and those of its subsidiaries, the Group's 30-year business plan, and based on normal strategic business planning and control procedures, the Board has a reasonable expectation that Clarion Housing Group Limited has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements.

Disclosure of Information to Auditor

The Board members who held office at the date of approval of this Report of the Board confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

KPMG LLP have expressed their willingness to continue in office as the Group's auditor.

By order of the Board

David Avery
Group Chair

10 July 2020

Independent Auditor's Report to Clarion Housing Group Limited

Opinion

We have audited the financial statements of Clarion Housing Group Limited for the year ended 31 March 2020 which comprise the Group and Parent Association Statements of Comprehensive Income, the Group and Parent Association Statements of Financial Position, the Group and Parent Association Statements of Changes in Capital and Reserves, the Group Statement of Cash Flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

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

Basis for opinion

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

Going concern

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

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

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

Other information

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

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

Matters on which we are required to report by exception under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in its statement set out on page 75, the Association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and the Parent Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the Parent Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Fleur Nieboer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL

15 July 2020

Financial Statements

Group Statement of Comprehensive Income for the year ended 31 March 2020

	Notes	2020 £m	2019 £m
Turnover	4a	**841.5**	815.9
Cost of sales	4a	**(110.6)**	(85.3)
Operating costs	4a	**(496.7)**	(481.6)
Surplus on disposal of properties	4a	**58.8**	33.3
Operating surplus	4a	**293.0**	282.3
Surplus/(deficit) on disposal of other fixed assets	4a	**0.1**	(3.2)
Deficit on disposal of operations		**(3.4)**	-
Share of (deficit)/surplus of JCEAs	17	**(0.6)**	12.9
(Loss)/gain on revaluation of investment properties	15	**(5.0)**	3.4
Interest receivable	7	**21.2**	4.2
Interest payable and financing costs	8	**(135.4)**	(141.0)
Movement in fair value of financial instruments	9	**(0.1)**	(5.1)
Surplus on ordinary activities before taxation	10	**169.8**	153.5
Tax charge on surplus on ordinary activities	11	**(1.4)**	-
Surplus for the year		**168.4**	153.5
Actuarial gains/(losses) on pension schemes	28	**32.5**	(4.5)
Movement in fair value of financial instruments	9	**(60.1)**	(6.8)
Gain on transfer of SHPS	28	**-**	3.0
Tax charge on other comprehensive income	11	**-**	(0.1)
Total comprehensive income for the year		**140.8**	145.1

All operations are continuing.

The financial statements were approved by the Board and were signed on their behalf by:

David Avery
Group Chairman

Mark Hattersley
Group Chief Financial Officer

Louise Hyde
Company Secretary

10 July 2020

Parent Statement of Comprehensive Income for the year ended 31 March 2020

	Notes	2020 £m	2019 £m
Turnover	4a	**94.1**	86.7
Cost of sales	4a	**(12.6)**	(11.6)
Operating costs	4a	**(79.9)**	(74.2)
Operating surplus	4a	**1.6**	0.9
Interest receivable	7	**22.2**	12.8
Interest payable and financing costs	8	**(24.0)**	(13.9)
Deficit on ordinary activities before taxation		**(0.2)**	(0.2)
Tax credit on deficit on ordinary activities	11	**-**	0.1
Deficit for the year		**(0.2)**	(0.1)

All operations are continuing.

The financial statements were approved by the Board and were signed on their behalf by:

David Avery
Group Chairman

Mark Hattersley
Group Chief Financial Officer

Louise Hyde
Company Secretary

10 July 2020

Group Statement of Financial Position as at 31 March 2020

	Notes	2020 £m	2019 £m
Fixed assets			
Negative goodwill	12	**(0.5)**	(0.5)
Other intangible assets	13	**73.1**	70.5
Social housing properties	14	**7,463.2**	7,126.6
Investment properties	15	**227.2**	233.9
Non-housing fixed assets	16	**43.2**	48.1
Interests in JCEAs	17	**152.5**	106.6
Other fixed asset investments	18	**12.5**	13.0
		7,971.2	7,598.2
Current assets			
Stock	19	**514.0**	386.3
Debtors: amounts falling due within one year	20	**87.7**	89.0
Debtors: amounts falling due after more than one year	20	**120.3**	118.3
Current asset investments	21	**120.7**	116.3
Cash and cash equivalents		**120.5**	181.1
		963.2	891.0
Current liabilities			
Creditors: amounts falling due within one year	22	**(422.3)**	(424.1)
Net current assets		**540.9**	466.9
Total assets less current liabilities		**8,512.1**	8,065.1
Creditors: amounts falling due after more than one year	23	**(6,664.5)**	(6,323.2)
Provisions for liabilities and charges	27	**(42.6)**	(77.7)
Total net assets		**1,805.0**	1,664.2
Capital and reserves			
Non-equity share capital	32	**-**	-
Cash flow hedge reserve		**(403.4)**	(343.3)
Income and expenditure reserve		**2,208.4**	2,007.5
Total capital and reserves		**1,805.0**	1,664.2

The financial statements were approved by the Board and were signed on their behalf by:

David Avery
Group Chairman

Mark Hattersley
Group Chief Financial Officer

Louise Hyde
Company Secretary

10 July 2020

Parent Statement of Financial Position as at 31 March 2020

	Notes	2020 £m	2019 £m
Fixed assets			
Other intangible assets	13	**72.9**	69.9
Non-housing fixed assets	16	**19.1**	22.5
Other fixed asset investments	18	**2.0**	2.0
		94.0	94.4
Current assets			
Debtors: amounts falling due within one year	20	**39.9**	56.1
Debtors: amounts falling due after more than one year	20	**378.0**	318.2
Cash and cash equivalents		**108.2**	173.3
		526.1	547.6
Current liabilities			
Creditors: amounts falling due within one year	22	**(174.2)**	(255.8)
Net current assets		**351.9**	291.8
Total assets less current liabilities		**445.9**	386.2
Creditors: amounts falling due after more than one year	23	**(455.0)**	(395.1)
Provisions for liabilities and charges	27	**(0.9)**	(0.9)
Total net liabilities		**(10.0)**	(9.8)
Capital and reserves			
Non-equity share capital	32	**-**	-
Income and expenditure reserve		**(10.0)**	(9.8)
Total capital and reserves		**(10.0)**	(9.8)

The financial statements were approved by the Board and were signed on their behalf by:

David Avery
Group Chairman

Mark Hattersley
Group Chief Financial Officer

Louise Hyde
Company Secretary

10 July 2020

Statements of Changes in Capital and Reserves for the year ended 31 March 2020

Group

	Share capital £m	Cash flow hedge reserve £m	Income and expenditure reserve £m	Total capital and reserves £m
At 31 March 2018	-	(336.5)	1,855.6	**1,519.1**
Surplus for the year ending 31 March 2019	-	-	153.5	**153.5**
Other comprehensive income for the year	-	(6.8)	(1.6)	**(8.4)**
At 31 March 2019	-	(343.3)	2,007.5	**1,664.2**
Surplus for the year ending 31 March 2020	-	-	168.4	**168.4**
Other comprehensive income for the year	-	(60.1)	32.5	**(27.6)**
At 31 March 2020	**-**	**(403.4)**	**2,208.4**	**1,805.0**

Parent

	Share capital £m	Income and expenditure reserve £m	Total capital and reserves £m
At 31 March 2018	-	(9.7)	**(9.7)**
Deficit for the year ending 31 March 2019	-	(0.1)	**(0.1)**
At 31 March 2019	-	(9.8)	**(9.8)**
Deficit for the year ending 31 March 2020	-	(0.2)	**(0.2)**
At 31 March 2020	**-**	**(10.0)**	**(10.0)**

Group Statement of Cash Flows for the year ended 31 March 2020

	2020 £m	£m	2019 £m	£m
Surplus for the year		**168.4**		153.5
Adjustment for working capital movements				
Increase in stock	**(113.2)**		(131.5)	
Increase in operating debtors	**(3.0)**		(7.5)	
Increase in operating creditors	**43.7**		6.2	
Pension contributions in excess of expense	**(4.5)**		(4.8)	
	(77.0)		(137.6)	
Adjustment for non-cash items				
Amortisation of government grants	**(23.6)**		(23.5)	
Deferred tax charge	**0.1**		0.1	
Amortisation of intangible assets	**9.5**		9.4	
Depreciation charge	**113.4**		103.1	
Impairment (reversal)/charge	**(1.3)**		11.6	
Loss/(gain) on revaluation of investment properties	**5.0**		(3.4)	
Other non-cash decrease in provisions	**(1.5)**		(2.7)	
	101.6		94.6	
Adjustment for financing or investment activities				
Surplus on disposal of properties	**(58.8)**		(33.3)	
Surplus on disposal of other fixed assets	**(0.1)**		(0.4)	
Deficit on disposal of operations	**3.4**		-	
Share of deficit/(surplus) of JCEAs	**0.6**		(12.9)	
Net financing costs	**114.3**		141.9	
	59.4		95.3	
Net cash from operating activities		**252.4**		205.8

Group Statement of Cash Flows for the year ended 31 March 2020 continued

	2020 £m	2020 £m	2019 £m	2019 £m
Cash flows from investing activities				
Proceeds from disposal of properties	**123.2**		81.5	
Proceeds from disposal of other fixed assets	**1.0**		0.4	
Interest received	**21.2**		4.2	
Acquisition of intangible assets	**(13.8)**		(24.1)	
Acquisition of social housing properties	**(480.6)**		(451.7)	
Acquisition of non-housing fixed assets	**(4.4)**		(8.9)	
Investment in JCEAs	**(48.4)**		(10.0)	
Distributions from JCEAs	**1.9**		1.7	
Proceeds from disposal of other fixed asset investments	**0.5**		0.8	
Increase in current asset investments	**(4.4)**		(3.8)	
Social housing property grants received	**95.9**		28.5	
Net cash from investing activities		**(307.9)**		(381.4)
Cash flows from financing activities				
Interest paid	**(155.4)**		(159.9)	
Net borrowing of loans and bonds	**154.1**		338.5	
Capital transaction costs paid	**(3.8)**		(4.5)	
Payment of finance lease capital	**-**		(0.3)	
Net cash from financing activities		**(5.1)**		173.8
Net decrease in cash and cash equivalents		**(60.6)**		(1.8)
Cash and cash equivalents at 1 April		**181.1**		182.9
Cash and cash equivalents at 31 March		**120.5**		181.1

See note 24 for the reconciliation of net debt.

Notes to the Financial Statements for the year ended 31 March 2020

1. Accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (March 2018) ("FRS 102"), the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers ("the SORP"), the Accounting Direction for Private Registered Providers of Social Housing 2019 ("the Accounting Direction") and the Co-operative and Community Benefit Societies Act 2014.

Clarion Housing Group Limited, and a number of its subsidiaries (see note 34) are public benefit entities.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to Clarion Housing Group Limited's consolidated ("Group") and individual ("Parent") financial statements.

Basis of preparation

The financial statements are prepared on an accruals basis and under the historical cost convention, with the exception of investment properties and certain financial instruments (as specified elsewhere) which are held at their fair value.

Going concern

On the basis of its assessment of the Group's financial position and resources, the Board believes that the Group is well placed to manage its business risks. Therefore the Group's Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Thus it continues to adopt the going concern basis in preparing the annual financial statements.

The worldwide pandemic due to Covid-19 has presented challenges for the Group and Parent. The Board has considered the impact of the pandemic on the Group and the Parent and actions have been put in place to manage these risks and the Board consider these risks to be sufficiently mitigated.

The Parent is part of the Group's cash-pooling arrangement and so has the ability to raise cash for shortfalls related to Covid-19 or other temporary trading gaps, thus enabling it to access adequate resources.

The Group, through its subsidiaries, has provided confirmation of support to Clarion Futures, Clarion Response Limited, Downland Regeneration Limited, Latimer Cocoa Works LLP, Latimer Green Lanes Limited, Latimer Media City Limited, Latimer Weyburn Works Limited and Leamington Waterfront LLP, and some of its JCEAs. This confirmation of support is for at least twelve months after their financial statements for the year ended 31 March 2020 are signed.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of all entities controlled by Clarion Housing Group Limited as at the reporting date, using aligned reporting periods and accounting policies, and using merger or acquisition accounting where appropriate. Jointly controlled entities and associates ("JCEAs") are separate legal entities. For JCEs, the Group shares control with other parties and strategic financial and operating decisions require unanimous consent. For associates, the Group has the right to participate in these decisions, but its consent is ultimately not required. Both are accounted for using the equity method, which reflects the Group's share of their profit or loss, other comprehensive income and equity.

Intra-group balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated in full on consolidation.

Value Added Tax

For the majority of the Group's members, VAT affairs are dealt with under a Group registration in the name of Clarion Housing Group Limited. Turnover and other income are shown net of any VAT charged. As most of the Group's income comes from renting out residential property, which is exempt from VAT, the Group only recovers a small proportion of the input VAT it incurs, and expenditure is shown inclusive of irrecoverable VAT.

Leased assets

Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". A fixed asset is recognised while the future instalments due under the lease, net of interest payable, are included within creditors. Rentals payable are apportioned between the finance element, which is included in interest payable, and the capital element which reduces the outstanding creditor. This treatment likewise applies to sale and leaseback transactions where the Group sells an asset but then enters into a lease under which it retains substantially all the risks and rewards of ownership of said asset.

All other leases (including 'Temporary Market Rent Housing' leases) are accounted for as operating leases. The total rental payable is recognised on a straight-line basis over the lease term, with the exception that for some leases which commenced prior to transition to FRS 102 the lease incentives are recognised over the period ending on the first review date.

Notes to the Financial Statements for the year ended 31 March 2020 continued

1. Accounting policies continued

Turnover

Rent and service charge income is recognised on an accruals basis. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with administering authorities. Other income is recognised as receivable on the delivery of services provided.

Social housing property grant is amortised over 100 years, starting from when the property is completed, in line with the Group's depreciation policy for the structure of rental-only social housing properties. This 100-year period also applies to grants relating to shared ownership properties, even though these properties are not depreciated. Grants receivable in respect of revenue are recognised in the same period(s) as the expenditure to which they relate.

Sales of properties are recognised on legal completion. Turnover includes receipts from the sale of properties developed for outright sale as well as the first tranches of shared ownership properties (see the 'Social housing properties, investment properties and stock' policy); subsequent staircasing receipts are included in disposals. Both the first tranche and staircasing receipts are calculated as the proportion of the property sold, multiplied by the market value determined at the time.

Cost of sales

Cost of sales comprises the cost of stock sold, as well as most marketing costs incurred in the year; the cost of further staircasing is included in disposals.

Depreciation and amortisation

With the exception of goodwill, all depreciation and amortisation is accounted for on a straight-line basis, reducing the cost of each asset to its residual value over its useful economic life, from the date the asset is available for use.

No depreciation is provided in respect of land or investment properties.

Goodwill:

Goodwill is amortised on a systematic basis over its useful life, with both the basis and life depending on the business combination which gave rise to the goodwill.

Other intangible assets:

ERP system	10 years
Other computer software	4 years

Social housing properties:

The cost of rental-only social housing properties (net of land) is split between the structure and the following other components which require periodic replacement. The cost of the existing components is depreciated over the following useful economic lives:

Structure	100 years
Bathrooms	30-35 years
Boilers	15 years
Other heating	30 years
Electrics	30-35 years
Kitchens	20-25 years
Lifts	15-25 years
Roofs – flat	15-20 years
Roofs – pitched	50-60 years
Windows and doors	30-35 years
Other	5-25 years

"Other" components include paving, fences, playgrounds, door entry systems, CCTV, insulation and solar panels.

For social housing properties held under leases, the remaining lease term is used as the useful life if this is shorter.

When components are replaced, the remaining net book value is expensed as depreciation, and the asset is disposed.

Shared ownership social housing properties are not broken down into components as their tenants are liable for any repairs, and they are not depreciated due to their high residual value.

Non-housing fixed assets:

Freehold offices	100 years
Leasehold office properties	Over the period of the lease
Office furniture, fixtures and fittings	4-10 years
Computer hardware	4 years

Impairment

Stock is stated at the lower of cost and estimated sales proceeds less selling costs and remaining construction costs.

Loss allowances for tenant and other debtors are always measured at an amount equal to lifetime expected credit losses ("ECL").

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

For other assets an impairment review is undertaken when there is an indication that an asset may be impaired. Impairment is recognised when it is assessed that the carrying amount of that asset (or the cash generating unit, including goodwill, it belongs to) is higher than the recoverable amount, which is the higher of fair value less costs to sell and value in use. Where this is the case the higher of these two values is taken to be the new book value, and the difference is the impairment loss.

The Group's social housing properties are held for their social benefit rather than solely for the cash inflows they generate, therefore value in use is likely to be based on service potential rather than cash flows. However, those properties which are deemed not to be providing the Group with service potential, for example due to being in a poor condition or in an area of low demand, are not valued based on service potential.

After an impairment loss has been recognised, the recoverable amount of an asset or cash-generating unit may increase because of changes in: economic conditions; the circumstances that previously caused the impairment; or, the expected use of the asset(s). As a result, the carrying amount is adjusted to the lower of the new recoverable amount and the carrying amount that would have been determined had the original impairment not occurred, with the exception that the impairment of goodwill is not reversed.

Impairment relating to stock is included in cost of sales; impairment relating to JCEAs is included in share of surplus/deficit of JCEAs; and impairment relating to other assets is included in operating costs.

Interest receivable, interest payable and financing costs

Interest receivable is only recognised to the extent that it is probable that it will be recoverable when due.

Interest payable is recognised over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount.

Transaction costs relating to the refinancing of existing debt are expensed as incurred unless there is a substantial modification of the terms. Transaction costs relating to financial instruments held at fair value are also expensed as incurred.

When social housing properties and stock are under active construction, interest payable is capitalised using the interest rate of the funds specifically used to finance the development, such as in the case of the properties developed by the Group's JCEAs; otherwise, the weighted average interest rate of the Group's general borrowings is used.

Notes to the Financial Statements for the year ended 31 March 2020 continued

1. Accounting policies continued

Corporation tax
Many members of the Group almost wholly undertake charitable activities which are exempt from corporation tax. The remaining members, and the jointly controlled entities and associates in which the Group has a share, are liable to corporation tax at the prevailing rate of taxation.

Deferred tax is provided for in full on differences between the treatment of certain items for taxation and accounting purposes, unless the Group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future. Deferred tax is calculated using the tax rates and laws which have been enacted (given Royal Assent) or substantively enacted (passed by the House of Commons, or under the Provisional Collection of Taxes Act 1968) by the reporting date and are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax charge(/credit) is presented either in the Income Statement, Other Comprehensive Income or equity depending on the transaction that resulted in the tax charge(/credit).

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax assets and liabilities are offset only where allowed by FRS 102, and likewise they are not discounted.

Goodwill
Goodwill arising on business combinations is initially measured as the acquisition cost less the share of the net amount of the acquiree's identifiable assets, liabilities and contingent liabilities, with fair values used where required and reliable. Following initial recognition, goodwill is measured at cost less accumulated amortisation and impairment losses.

Social housing properties, investment properties and stock
The Group generates revenue from properties in a number of ways, and the accounting treatment of the costs incurred varies accordingly:

a. Most of the Group's housing properties are held for social benefit and the rent charged to the tenants is below or even significantly below market rates. These properties are shown as *rental-only social housing properties.*

b. However, some housing properties are held to earn income at market rates and/or for capital appreciation, and these are treated as *investment properties.*

c. The Group also develops housing properties for open market sale and these are shown as *non-social stock.*

d. Housing properties developed for sale to another Registered Provider are shown as *social stock.*

e. Shared ownership (also known as "low cost home ownership", or LCHO) is where, initially, a long lease on a property is granted through a sale to the occupier, in return for an initial payment (the "first tranche"). The occupier then has the right, but not the obligation, to purchase further shares ("staircase") until they own 100% of the property; they pay a subsidised rent on the portion of the property they don't own. The cost of the expected first tranche proportion of shared ownership properties is shown as *social stock* with the remainder included in *shared ownership social housing properties.*

f. Non-residential properties such as retail units or offices, which are sometimes built as part of a residential development, are treated as *investment properties* if they are held for rental, or as *non-social stock* if they are developed for sale on a long lease (i.e. a premium is paid on completion, followed by a nominal rent).

g. Mixed tenure schemes where the precise mix is yet to be finalised; investment properties under construction; and land without planning consent or grant allocation ("land bank") are included in *social housing properties under construction.*

In all cases, properties are initially stated at their directly attributable cost: this includes the cost of land, construction works and professional fees, as well as capitalised staff costs for those employees attributable to the development activity and interest. No staff or interest costs are capitalised on land banks.

The cost of completed rental-only social housing properties is split into components (see 'Depreciation and amortisation' policy). Major repairs are capitalised on a component level, to the extent that they are either a full replacement of the previous component, or an enhancement to the existing component which will reduce future repair costs, extend the life of the component or result in increased rental income. Major repairs are expensed as incurred in other circumstances. No provision is recognised for future planned and routine maintenance of these properties.

Investment properties are adjusted to fair value at each reporting date. Further expenditure relating to these properties, even if capital in nature, is expensed.

Interests in jointly controlled entities and associates
These are initially recognised at the amount of the investment made, including transaction costs, and subsequently adjusted to reflect the Group's share of the investee's net assets.

Public benefit concessionary loans
As a "public benefit entity group" (as defined by FRS 102), loans which are made as part of the Group's social housing objectives, at below-market rates of interest, and are not repayable on demand, qualify for treatment as public benefit entity concessionary loans. They are initially recorded at the amount lent and subsequently adjusted for accrued interest receivable less any impairment loss.

This treatment applies to the Group's equity loans (including those under the Homebuy scheme), where the amount to be repaid by the homeowner scales with the subsequent movement in the value of their property. It also applies to the arrangements which the Group has made with some tenants for payment of rent and service charge arrears, which are effectively loans granted at a zero interest rate.

Local authority housing transfers
Where an opportunity for the regeneration of local authority ("LA") social housing properties arises after a transfer request from tenants, the Group may seek to maximise the resources available for the regeneration by entering into a VAT shelter arrangement with the LA. In this circumstance, the transactions are accounted for on a gross basis: the Group's remaining obligation to refurbish the properties is shown as a creditor while the LA's remaining obligation to have the properties refurbished is included in debtors. The split between amounts due within one year and amounts due after more than one year reflects the expected timing of the remaining refurbishment works.

Social housing property grants
These grants - which have been provided by central and local government to part-fund the construction of the Group's social housing properties - are treated as deferred income, and amortised as per the 'Turnover' policy; the amount due to be amortised in the following year is included in creditors due within one year. The original amount granted may become repayable if the conditions of the grant are not complied with: for example, if the related properties cease to be used for the provision of affordable rental accommodation, or are sold on the open market. If there is no obligation to repay the grant on disposal of the assets, the remaining unamortised grant is credited against the cost of the disposal.

Grant in respect of shared ownership properties is allocated against the amount retained after the first tranche is sold.

Social housing property grants which the Group is entitled to and is reasonably certain of receiving are included in debtors while those received but not yet allocated to a development project are included in creditors.

HomeBuy grants
Under the HomeBuy scheme, the Group received grants in order to advance interest-free loans to homebuyers. In the event that the homeowner sells the property, or otherwise wishes to repay the loan, the related grant is transferred to the Recycled Capital Grant Fund. However, if there is a fall in the value of the property and the Group receives back less then it lent, the difference is offset against the amount of grant transferred, so that the Group does not incur a loss.

Notes to the Financial Statements for the year ended 31 March 2020 continued

1. Accounting policies continued

Recycled Capital Grant Fund ("RCGF") and Disposal Proceeds Fund ("DPF")
The Group has the option to recycle social housing property grants - which would otherwise be repayable to either Homes England ("HE") or the Greater London Authority ("GLA"), depending on the location of the disposed property - to the RCGF. Likewise, it has the opportunity to recycle proceeds from sales under the Voluntary Purchase Grant Scheme, a substantial amount of which would otherwise be repayable, to the DPF. If the amounts set aside in this manner are not used to fund the development of new social housing within a three-year period, they again become repayable, with interest, unless a time extension or a waiver is received.

The amounts held within the funds which are not anticipated to be recycled, or become repayable, within one year are included under 'creditors due after more than one year'. The remainder is included under 'creditors due within one year'.

As a result of changes made by the Housing and Planning Act 2016, from 6 April 2017 the Group is no longer required to recycle any further proceeds to the DPF.

Non-derivative financial instruments
The Group applies the recognition and measurement provisions of IFRS 9 Financial Instruments, as allowed by FRS 102.

All investments, short-term deposits and loans held by the Group are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price.

On initial recognition, a financial asset is classified as measured at either amortised cost, fair value through other comprehensive income ("FVOCI") debt investment, FVOCI equity investment or fair value through profit and loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

i. it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

ii. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

i. it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

ii. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Where loans and other financial instruments are redeemed during the year, a redemption penalty is recognised in the Income Statement of the year in which the redemption takes place, where applicable.

Tenant and other debtors and creditors are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction and does not qualify for treatment as a concessionary loan, in which case the present value of the future receipts discounted at a market rate of interest is used.

Cash and cash equivalents include cash balances and call deposits, as well as short-term investments with an original maturity of three months or shorter. It also includes those overdrafts which are repayable on demand and form an integral part of the Group's cash management strategy.

Derivative financial instruments and hedge accounting
To manage interest rate risk, the Group manages its proportion of fixed to variable rate borrowings within approved limits and, where appropriate, utilises interest rate swap agreements. Amounts payable and receivable in respect of these agreements are recognised as adjustments to interest payable over the period of the agreement.

These derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Where considered appropriate, the Group applies hedge accounting and has designated each of the swaps against either existing drawn debt or against highly probable future debt. Hedges are classified as either:

a. fair value hedges when hedging exposure to changes in the fair value of a recognised asset or liability; or

b. cash flow hedges when hedging exposure to variability in cash flows that is attributable to either a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Hedge relationships are formally designated and documented at inception, together with the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the Group will assess the hedging instrument effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Accounting for fair value hedges:
The change in fair value of a hedging derivative is recognised in the Income Statement. The change in the fair value of the hedged item attributable to the risk being hedged is recorded as part of the carrying value of the hedged item and is also recognised in the Income Statement. The Group applies fair value hedge accounting when hedging interest rate risk on fixed rate borrowings. If the criteria for hedge accounting are no longer met, the accumulated adjustment to the carrying amount of a hedged item at such time is then amortised to the Income Statement over the remaining period to maturity.

Accounting for cash flow hedges:
To the extent the hedge is effective, movements in fair value adjustments, other than adjustments for own or counterparty credit risk, are recognised in Other Comprehensive Income and presented in a separate Cash Flow Hedge Reserve. Any movements in fair value relating to ineffectiveness and adjustments for own or counterparty credit risk are recognised in the Income Statement.

Where hedge accounting for a cash flow hedge is discontinued and the hedged future cash flows are still expected to occur, the amount that has been accumulated in the cash flow hedge reserve remains there until those future cash flows occur. If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified to the Income Statement.

Fair value:
All financial assets or liabilities at fair value are calculated using measurements based on inputs that are observable for the asset either directly or indirectly from prices.

Fair value is determined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. To calculate fair value, the Group uses:

a. where they exist, quoted market prices in an active market for an identical asset or liability; or

b. if a market for a financial instrument is not active, the Group will use a valuation technique that makes maximum use of market inputs and includes recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models where in each case it is an acceptable valuation technique that incorporates all factors that market participants would consider in setting a price.

Derivative financial instruments are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. As required by IFRS 13, there is also a bilateral credit valuation adjustment made in order to adjust for the credit worthiness of the counterparties involved in the trade.

Notes to the Financial Statements for the year ended 31 March 2020 continued

1. Accounting policies continued

Provisions and contingent liabilities
A provision is recognised where a present obligation has arisen as a result of a past event for which settlement is probable and can be reliably estimated. The amount recognised is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate, and the subsequent unwinding of the discount is recognised as a finance cost.

A contingent liability, where settlement is not probable and/or cannot be reliably estimated, is not recognised unless it is identified as part of a business combination.

Pensions
The Group participates in a number of defined benefit and defined contribution pension schemes. The assets of these schemes are held separately to those of the Group.

For defined benefit schemes accounted for as defined benefit schemes, the net liability (or asset, to the extent it is recoverable) is calculated by estimating the amount of future benefit that employees have earned to date, discounted to present value, and deducting the fair value of the scheme's assets. Changes in this net defined benefit liability arising from employee service, introductions, benefit changes, curtailments and settlements during the period are recognised in operating costs. The net interest expense (or income) on the net liability (or asset) for the period is recognised as other finance cost (or income). Remeasurement of the net liability (or asset) is recognised as actuarial gains/losses in Other Comprehensive Income.

For multi-employer defined benefit plans where sufficient information was not available to use defined benefit accounting, defined contribution accounting was instead followed i.e. contributions are recognised as an expense as they fall due. Where such a scheme was in deficit and the Group had agreed to a deficit-funding arrangement, the Group recognised a liability for the net present value of the agreed deficit-funding contributions. The unwinding of this liability was recognised as a finance cost.

Other employee benefits
The Group recognises an accrual for unused annual leave which employees are entitled to carry forward and use within the next 12 months. This is measured at the salary cost payable for the period of absence.

Reserves
Where funds received by the Group are subject to external restrictions which specify how the funds must be used, a separate restricted reserve is recognised.

Segmental reporting
Segmental reporting is presented in these consolidated financial statements in respect of the Group's business segments, which are the primary basis of segmental reporting.

The business' segmental reporting is disclosed in note 4 and reflects the Group's management and internal reporting structure.

Segmental results include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. As the Group has no material activities outside the UK, segmental reporting is not required by geographical region.

The chief operating decision makers have been identified as the Group Executive Team.

2. Significant judgements and accounting estimates - Group

Significant judgements

With the exception of those relating to accounting estimates and uncertainty, no significant judgements have been made in applying the Group's accounting policies.

Accounting estimates

The nature of estimation means that actual outcomes could differ from the estimates made. The following accounting estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities - and therefore the income and expenses recognised - within the next financial year:

1 The useful economic lives ("UELs") of rental-only social housing properties.

The Group believes that the UELs used are reasonable based on its experience. The most material assumptions are the UELs of rental-only social housing property components: these were reviewed in early 2017 as a result of the merger, with the input of the Group's repairs and maintenance staff, and were benchmarked against the UELs disclosed by other English Registered Providers.

Using these UELs, the accumulated depreciation at the reporting date was £1,050.8 million. Were each of the UELs shorter by one year, this figure would be approximately £1,090.0 million, reducing the NBV of social housing properties by £39.2 million.

Conversely, included in liabilities is £2,180.0 million of social housing property grants. As their amortisation rate is matched to the UEL of the structure component, a reduction of one year would have reduced the liability by £3.6 million, leading to a net reduction in assets of £35.6 million (2.0% of net assets).

2 The valuation of residential investment properties.

At the reporting date, the Group holds £171.8 million of residential investment properties, of which £148.7 million relates to market rent properties valued by Savills plc.

The most significant assumptions made for the properties valued by Savills are:

- Vacant possession values: a 10% fall in these would reduce the value of these properties by £12.4 million.
- Market rents: a 10% fall in these would reduce the value of these properties by £3.8 million.
- Discount rates: the rate used ranged between 7% and 7.25%. Increasing this range by 0.5% would reduce the value of these properties by £3.2 million.

3 The fair value of derivative financial instruments.

At the reporting date, the Group has a £381.6 million net liability in respect of interest rate swaps. These have been valued using discounted cash flow models, for which the main assumption is the interest rate yield curve used.

The curve used has been based on the government yield curve at the reporting date, plus an appropriate credit spread, giving a range of 2.09% to 6.13%. Decreasing this curve by 100 basis points would increase the net liability by £132.1 million (7.3% of net assets).

Note: as most of the Group's derivatives are accounted for as cash flow hedges, almost all of the in-year impact of any change would be included in other comprehensive income, depending on the effectiveness of the hedging relationship.

Notes to the Financial Statements for the year ended 31 March 2020 continued

2. Significant judgements and accounting estimates - Group continued

4 The valuation of defined benefit pension scheme obligations.

A number of critical underlying assumptions are made when measuring a defined benefit obligation, including standard rates of inflation, mortality, discount rates and the anticipation of future salary levels.

The range of assumptions used by the individual schemes of which the Group is a member are shown in note 28. Combining sensitivity analysis which most of the schemes' actuaries have provided, the estimated impact of changing the material assumptions would be as follows:

- Decreasing the discount rate by 0.1% would increase the obligation by £7.4 million;

- Increasing the pension increase assumption by 0.1% would increase the obligation by £7.2 million; and

- Increasing the assumed life expectancy by 1 year would increase the obligation by £11.8 million.

Note: as these are changes in actuarial assumptions, almost all of the in-year impact of any change would be included in other comprehensive income.

3. Units under management - Group

	At 1 April 2019	Adjustment	Handed over	Net conversion from affordable	Other movements	At 31 March 2020
Social housing						
Social rent	77,202	147	92	23	(1,099)	**76,365**
Affordable rent	12,185	25	761	(25)	(1)	**12,945**
General needs	89,387	172	853	(2)	(1,100)	**89,310**
Supported	1,275	(97)	-	-	30	**1,208**
Housing for Older People	7,346	51	1	-	(252)	**7,146**
Shared ownership	7,875	(4)	791	-	(122)	**8,540**
Intermediate rent	737	(193)	-	3	(72)	**475**
Keyworker	749	205	-	-	10	**964**
Social leaseholders	9,869	2	-	-	113	**9,984**
Staff accommodation	140	(29)	-	-	(9)	**102**
Social homes under management	**117,378**	**107**	**1,645**	**1**	**(1,402)**	**117,729**
Non-social housing						
Market rent	943	(145)	-	(1)	14	**811**
Non-social leaseholders	6,012	(154)	11	-	(10)	**5,859**
Homes under management	**124,333**	**(192)**	**1,656**	**-**	**(1,398)**	**124,399**
Non-housing						
Garages and car parking spaces	10,717	(206)	8	-	(129)	**10,390**
Commercial leaseholders	342	(19)	1	-	(1)	**323**
Community centres	65	5	-	-	(9)	**61**
Units under management	**135,457**	**(412)**	**1,665**	**-**	**(1,537)**	**135,173**
Social housing	1,296	(212)	84	-	(32)	**1,136**
Non-social housing	252	794	104	-	-	**1,150**
Non-housing	-	5	-	-	-	**5**
Units owned but not managed	**1,548**	**587**	**188**	**-**	**(32)**	**2,291**

All Supported and Housing for Older People units are used for social rent.

Other movements primarily relate to disposals, including 1,082 General needs social rent units and 207 Housing for Older People units which were transferred to other housing associations.

Notes to the Financial Statements for the year ended 31 March 2020 continued

4. Turnover, cost of sales, operating costs, surplus/deficit on disposal of properties and operating surplus/deficit

4a. Particulars of turnover, cost of sales, operating costs, surplus/deficit on disposal of properties and operating surplus/deficit

Group	2020 Turnover £m	2020 Cost of sales £m	2020 Operating costs £m	2020 Surplus/(deficit) on disposal £m	2020 Operating surplus/(deficit) £m	2019 Turnover £m	2019 Operating surplus/(deficit) £m
Social housing activities							
Social housing lettings (note 4b)	**670.6**	**-**	**(453.0)**	**-**	**217.6**	671.3	245.5
Shared ownership first tranche sales	**73.7**	**(66.1)**	**-**	**-**	**7.6**	57.1	15.7
Other social housing activities							
Care and support services	11.3	-	(8.6)	-	**2.7**	16.1	(1.3)
Development for others	1.8	(1.8)	-	-	**-**	5.7	-
Development costs not capitalised	-	-	(5.1)	-	**(5.1)**	-	(13.0)
Community investment	1.8	-	(16.7)	-	**(14.9)**	2.3	(10.1)
Other	6.7	-	(2.7)	-	**4.0**	3.6	0.9
Total	**21.6**	**(1.8)**	**(33.1)**	**-**	**(13.3)**	27.7	(23.5)
Surplus on disposal of social housing properties	**-**	**-**	**-**	**60.1**	**60.1**	-	33.3
Total social housing activities	**765.9**	**(67.9)**	**(486.1)**	**60.1**	**272.0**	756.1	271.0
Non-social housing activities							
Open market sales	**53.7**	**(42.7)**	**(3.7)**	**-**	**7.3**	37.1	(3.4)
Other non-social housing activities							
Market rent lettings	10.6	-	(3.0)	-	**7.6**	9.8	7.3
Garage lettings	2.0	-	(0.5)	-	**1.5**	3.2	1.5
Commercial lettings	3.2	-	(2.4)	-	**0.8**	3.2	1.5
Other	6.1	-	(1.0)	-	**5.1**	6.5	4.4
Total	**21.9**	**-**	**(6.9)**	**-**	**15.0**	22.7	14.7
Deficit on disposal of investment properties	**-**	**-**	**-**	**(1.3)**	**(1.3)**	-	-
Total non-social housing activities	**75.6**	**(42.7)**	**(10.6)**	**(1.3)**	**21.0**	59.8	11.3
Total social and non-social housing	**841.5**	**(110.6)**	**(496.7)**	**58.8**	**293.0**	815.9	282.3
Analysis of disposals							
Social housing properties	*125.6*	*(60.3)*	*(5.2)*	60.1	**60.1**	*81.1*	33.3
Investment properties	-	*(1.3)*	-	(1.3)	**(1.3)**	-	-
Other fixed assets	*1.7*	*(1.6)*	-	0.1	**0.1**	*0.5*	(3.2)

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Turnover includes corporate recharges to operating companies (see note 35) and other revenue grants.

The cost of providing repairs to other Group members is shown as cost of sales.

4b. Particulars of income and expenditure from social housing lettings

Group	General needs housing £m	Supported housing/ housing for older people £m	Shared ownership accommodation £m	Other £m	**Total 2020 £m**	Total 2019 £m
Income						
Rent receivable net of identifiable service charges	515.7	40.4	33.0	12.4	**601.5**	601.6
Service charge income	16.5	12.8	6.7	9.2	**45.2**	45.5
Amortisation of government grants	20.0	1.8	1.3	0.5	**23.6**	23.5
Other revenue grants/income	0.3	-	-	-	**0.3**	0.7
Turnover from social housing lettings	**552.5**	**55.0**	**41.0**	**22.1**	**670.6**	671.3
Expenditure						
Management	(72.5)	(16.0)	(1.8)	(4.6)	**(94.9)**	(78.6)
Service charge costs	(21.0)	(15.7)	(8.4)	(11.6)	**(56.7)**	(55.5)
Routine maintenance	(108.6)	(9.0)	(0.2)	(3.2)	**(121.0)**	(122.7)
Planned maintenance	(50.2)	(2.0)	(0.3)	(0.7)	**(53.2)**	(50.2)
Major works expensed	(12.8)	(0.4)	(0.1)	(0.1)	**(13.4)**	(14.8)
Bad debts	(5.0)	(0.2)	(0.2)	0.5	**(4.9)**	(8.7)
Depreciation of housing properties	(97.2)	(6.8)	-	(1.3)	**(105.3)**	(94.9)
Impairment of housing properties	(2.4)	-	-	-	**(2.4)**	-
Other costs	(0.3)	-	(0.1)	(0.8)	**(1.2)**	(0.4)
Operating costs on social housing lettings	**(370.0)**	**(50.1)**	**(11.1)**	**(21.8)**	**(453.0)**	(425.8)
Operating surplus on social housing lettings	**182.5**	**4.9**	**29.9**	**0.3**	**217.6**	245.5
Void losses	**5.4**	**2.6**	**0.2**	**1.4**	**9.6**	10.1

Other includes intermediate rent, keyworker, and social leaseholders.

£nil (2019: £0.1 million) of depreciation relating to garages is included in note 4a.

Void losses represent rental income lost as a result of an available-for-letting property not being let.

Notes to the Financial Statements for the year ended 31 March 2020 continued

5. Employees - Group

The average monthly number of full-time equivalents ("FTEs") employed during the year, including members of the Group Executive Team, was as follows:

	2020 Number	2019 Number
FTEs	**3,573**	3,662

FTEs are based on a standard working week, which varies between 35 and 42 hours, but is 36 hours for most employees. All staff are employed by subsidiaries.

	2020 £m	2019 £m
Staff costs		
Wages and salaries	**138.5**	139.2
Compensation for loss of office	**2.3**	1.3
Social security costs	**14.3**	14.0
Pension costs	**10.7**	8.4
	165.8	162.9

The number of employees, including Executive Directors, whose total remuneration (excluding employer pension contributions, or pay in lieu thereof, but including compensation for loss of office) exceeds £60,000 per annum is as follows:

	2020 Number	2019 Number
£60,000 to £69,999	**104**	91
£70,000 to £79,999	**52**	40
£80,000 to £89,999	**29**	57
£90,000 to £99,999	**46**	23
£100,000 to £109,999	**14**	14
£110,000 to £119,999	**12**	10
£120,000 to £129,999	**11**	8
£130,000 to £139,999	**4**	4
£140,000 to £149,999	**3**	2
£150,000 to £159,999	**7**	3
£160,000 to £169,999	**1**	1
£180,000 to £189,999	**1**	-
£190,000 to £199,999	**1**	1
£200,000 to £209,999	**1**	1
£220,000 to £229,999	**1**	1
£260,000 to £269,999	**1**	1
£270,000 to £279,999	**1**	-
£290,000 to £299,999	**-**	1
£340,000 to £349,999	**-**	1
£390,000 to £399,999	**1**	-
Total	**290**	259

Notes to the Financial Statements for the year ended 31 March 2020 continued

6. Key management personnel

The Directors are defined as members of the Board, and any other person who is a member of the Group Executive Team.

	2020 £'000	2019 £'000
Non-Executive Directors	**260**	273
Executive Directors		
Salary and other benefits	**2,244**	1,741
Compensation for loss of office	**-**	297
Pension contributions, or pay in lieu thereof, in respect of services as directors	**97**	76
	2,341	2,114
	2,601	2,387

	2020 £	2019 £
The remuneration of current Non-Executive Directors is as follows:		
David Avery	**41,511**	34,000
Sue Killen	**34,000**	34,000
Gavin Barwell	**5,318**	-
John Coghlan	**22,500**	22,500
Graham Farrant	**7,500**	-
Amanda Metcalfe	**7,500**	-
David Orr CBE	**28,667**	7,500
Greg Reed	**18,000**	18,000
Rupert Sebag-Montefiore	**45,000**	45,000
Tom Smyth	**6,648**	-

	2020 £	2019 £
Remuneration of highest paid Director (excluding pension contributions, or pay in lieu thereof but including benefits in kind)	**391,305**	343,885
Pension contributions, or pay in lieu thereof, in respect of the highest paid Director	**18,912**	9,180

The Directors are considered the key management personnel for the purposes of FRS 102.

7. Interest receivable

	Group 2020 £m	2019 £m	Parent 2020 £m	2019 £m
Interest receivable on bank deposits	**2.0**	1.8	**0.9**	0.7
Interest receivable from Group undertakings	**-**	-	**21.3**	12.1
Interest receivable from JCEAs	**3.7**	2.4	**-**	-
Breakage receipts	**15.5**	-	**-**	-
	21.2	4.2	**22.2**	12.8

During the year, the Group received £15.5m of breakage receipts as part of exiting a relationship with one of its lenders.

8. Interest payable and financing costs

	Group 2020 £m	2019 £m	Parent 2020 £m	2019 £m
Interest payable on loans	**30.7**	35.8	**-**	-
Interest payable on bonds and similar instruments	**91.9**	82.5	**-**	-
Interest payable on derivatives	**37.5**	38.8	**-**	-
Interest payable on finance leases	**0.7**	0.5	**-**	-
Interest payable to Group undertakings	**-**	-	**23.8**	13.6
Interest payable relating to pensions (see note 28)	**1.5**	1.7	**-**	-
Other interest payable	**0.2**	0.1	**-**	-
Other charges	**4.4**	3.3	**0.2**	0.3
	166.9	162.7	**24.0**	13.9
Interest payable capitalised	**(31.5)**	(21.7)	**-**	-
	135.4	141.0	**24.0**	13.9

Notes to the Financial Statements for the year ended 31 March 2020 continued

9. Movement in fair value of financial instruments - Group

	2020 £m	2019 £m
Included in income and expenditure		
Fair value gains on		
Derivatives treated as fair value hedging instruments	**5.8**	2.3
Derivatives treated as cash flow hedging instruments - ineffective	**1.7**	-
	7.5	2.3
Fair value losses on		
Borrowings treated as fair value hedging item	**(6.9)**	(4.2)
Derivatives treated as cash flow hedging instruments - due to changes in credit risk	**-**	(2.4)
Derivatives not in hedging relationships	**-**	(0.1)
Amortisation of cash flow hedge reserve relating to a prematured derivative	**(0.7)**	(0.7)
	(7.6)	(7.4)
	(0.1)	(5.1)

	2020 £m	2019 £m
Included in other comprehensive income		
Fair value gains on		
Amortisation of cash flow hedge reserve relating to a prematured derivative	**0.7**	0.7
Fair value losses on		
Derivatives treated as cash flow hedging instruments - effective	**(60.8)**	(7.5)
	(60.1)	(6.8)

See note 26 for an explanation of the Group's hedging activities.

10. Surplus/deficit on ordinary activities before taxation

	Group		Parent	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Surplus/deficit on ordinary activities before taxation is stated after charging/(crediting):				
Amortisation				
Goodwill	**-**	1.3	**-**	-
Other intangible assets	**9.5**	8.1	**9.1**	7.6
	9.5	9.4	**9.1**	7.6
Depreciation				
Social housing properties	**105.3**	95.0	**-**	-
Non-housing fixed assets	**8.1**	8.1	**6.8**	6.4
	113.4	103.1	**6.8**	6.4
Impairment				
Goodwill	**-**	3.7	**-**	-
Social housing properties	**2.4**	-	**-**	-
Non-housing fixed assets	**-**	3.6	**-**	-
Stock	**(3.7)**	4.3	**-**	-
	(1.3)	11.6	**-**	-
Operating lease rentals	**12.6**	9.5	**9.4**	6.7

	2020 £m	2019 £m	**2020 £m**	2019 £m
Auditor's remuneration (exclusive of VAT)				
- for statutory audit services	**0.5**	0.4	**0.1**	0.2
- for other services	**0.1**	0.1	**0.1**	-
	0.6	0.5	**0.2**	0.2

Notes to the Financial Statements for the year ended 31 March 2020 continued

11. Taxation

	Group 2020 £m	Group 2019 £m	Parent 2020 £m	Parent 2019 £m
Analysis of charge/(credit) in period				
Current tax				
Current tax on income for the period	**1.3**	0.1	**-**	-
Adjustment in respect of prior periods	**-**	-	**-**	(0.1)
	1.3	0.1	**-**	(0.1)
Deferred tax				
Change in tax rate	**0.1**	-	**-**	-
	1.4	0.1	**-**	(0.1)
Recognised in income and expenditure	**1.4**	-	**-**	(0.1)
Recognised in other comprehensive income	**-**	0.1	**-**	-
	1.4	0.1	**-**	(0.1)

The tax charge for the Group for the period is less than 19% (2019: less than 19%), the rate of corporation tax in the UK. The tax credit for the Parent for the period is equal to 19% (2019: less than 19%), the rate of corporation tax in the UK. The differences are explained below:

	Group		Parent	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Reconciliation of tax recognised in income and expenditure				
Surplus/(deficit) on ordinary activities before taxation	**169.8**	153.5	**(0.2)**	(0.2)
Tax charge at 19% (2019: 19%)	**32.3**	29.2	**-**	-
Effects of				
Charitable surpluses not taxed	**(33.6)**	(29.2)	**-**	-
Expenses not deductible for tax purposes	**1.1**	-	**-**	-
EU State Aid	**1.4**	-	**-**	-
Remeasurement of deferred tax due to change in the UK tax rate	**0.1**	-	**-**	-
Adjustment in respect of prior periods	**-**	-	**-**	(0.1)
Other	**0.1**	-	**-**	-
	1.4	-	**-**	(0.1)

The impairment of the intra-Group loan from Your Lifespace Limited to Leamington Waterfront LLP during the current year is not deductible for tax purposes.

The Group has provided £1.4 million for corporation tax following the EU Commission's final decision that certain aspects of the UK's Controlled Foreign Company rules give rise to unlawful State Aid. A review to determine the extent to which the Group is affected by the decision is still ongoing.

Maintaining the rate of UK corporation tax at 19% from 1 April 2020 was substantively enacted by the reporting date.

Notes to the Financial Statements for the year ended 31 March 2020 continued

11. Taxation continued

	Group 2020 £m	2019 £m	Parent 2020 £m	2019 £m
Deferred tax				
Deferred tax assets				
Employee benefits (including pensions)	**-**	0.2	**-**	-
Unrealised losses on revaluation of investment properties	**0.1**	-	**-**	-
Other	**-**	0.1	**-**	-
	0.1	0.3	**-**	-
Deferred tax liabilities				
Unrealised gains on revaluation of investment properties	**(1.3)**	(1.1)	**-**	-
	(1.2)	(0.8)	**-**	-

Deferred tax liabilities have been recognised for the difference between the fair value and the historic cost of the investment properties owned by Grange Management (Southern) Limited and Your Lifespace Limited, as these subsidiaries do not have charitable status and so the disposal of these properties will give rise to a tax charge based on the historic cost. The amount of deferred tax which will reverse in the following year depends on the future movement in the valuation and the properties disposed, neither for which a reliable estimate can be made.

During the current year, deferred tax assets of £0.3 million were derecognised as part of the disposal of Invicta Telecare Limited.

12. Negative goodwill - Group

	£m
At 1 April 2019 and at 31 March 2020	**(0.5)**

Negative goodwill relates to the acquisition of Latimer Green Lanes Limited, and is being amortised over the life of the development scheme as properties are sold.

13. Other intangible assets

Group

	Enterprise resource planning system £m	Other computer software £m	Total £m
Cost			
At 1 April 2019	68.3	23.7	**92.0**
Additions	10.1	2.0	**12.1**
Transfer from non-housing fixed assets	-	0.1	**0.1**
At 31 March 2020	**78.4**	**25.8**	**104.2**
Amortisation			
At 1 April 2019	(5.6)	(15.9)	**(21.5)**
Amortisation charge for the year	(6.8)	(2.7)	**(9.5)**
Transfer from non-housing fixed assets	-	(0.1)	**(0.1)**
At 31 March 2020	**(12.4)**	**(18.7)**	**(31.1)**
Net book value			
At 31 March 2020	**66.0**	**7.1**	**73.1**
Net book value			
At 31 March 2019	62.7	7.8	70.5

Parent

	Enterprise resource planning system £m	Other computer software £m	Total £m
Cost			
At 1 April 2019	68.3	18.0	**86.3**
Additions	10.1	2.0	**12.1**
Transfer from non-housing fixed assets	-	0.1	**0.1**
At 31 March 2020	**78.4**	**20.1**	**98.5**
Amortisation			
At 1 April 2019	(5.6)	(10.8)	**(16.4)**
Amortisation charge for the year	(6.8)	(2.3)	**(9.1)**
Transfer from non-housing fixed assets	-	(0.1)	**(0.1)**
At 31 March 2020	**(12.4)**	**(13.2)**	**(25.6)**
Net book value			
At 31 March 2020	**66.0**	**6.9**	**72.9**
Net book value			
At 31 March 2019	62.7	7.2	69.9

Notes to the Financial Statements for the year ended 31 March 2020 continued

14. Social housing properties - Group

	Completed		Under construction		
	Rental-only £m	Shared ownership £m	Rental-only £m	Shared ownership £m	Total £m
Cost					
At 1 April 2019	6,947.4	714.3	198.3	240.4	**8,100.4**
Construction/redevelopment of properties	-	-	183.7	219.9	**403.6**
Major repairs to completed properties	102.1	-	-	-	**102.1**
Other additions	11.7	-	-	-	**11.7**
Completed construction	158.1	146.6	(158.1)	(146.6)	**-**
Transfer from investment properties	0.5	-	-	-	**0.5**
Components replaced	(10.9)	-	-	-	**(10.9)**
Other disposals/write-offs	(59.0)	(16.6)	(4.7)	(0.1)	**(80.4)**
At 31 March 2020	**7,149.9**	**844.3**	**219.2**	**313.6**	**8,527.0**
Depreciation and impairment					
At 1 April 2019	(960.6)	(13.2)	-	-	**(973.8)**
Depreciation charge for the year	(105.3)	-	-	-	**(105.3)**
Impairment charge for the year	(2.4)	-	-	-	**(2.4)**
Eliminated on components replaced	10.9	-	-	-	**10.9**
Eliminated on other disposals/write-offs	6.6	0.2	-	-	**6.8**
At 31 March 2020	**(1,050.8)**	**(13.0)**	**-**	**-**	**(1,063.8)**
Net book value					
At 31 March 2020	**6,099.1**	**831.3**	**219.2**	**313.6**	**7,463.2**
Net book value					
At 31 March 2019	5,986.8	701.1	198.3	240.4	7,126.6

Completed properties with a combined net book value of £3,992.7 million (2019: £4,219.9 million) are held as security against debt and derivatives (see notes 24 and 26), £12.8 million (2019: £14.2 million) of which relates to assets held under finance leases.

15. Investment properties - Group

	Residential properties £m	Non-residential properties £m	Freeholds £m	Total £m
At 1 April 2019	172.4	56.9	4.6	**233.9**
Transfer to social housing properties	(0.5)	-	-	**(0.5)**
Transfer from non-housing fixed assets	-	0.1	-	**0.1**
Disposals	(1.3)	-	-	**(1.3)**
Revaluation	1.2	(6.6)	0.4	**(5.0)**
At 31 March 2020	**171.8**	**50.4**	**5.0**	**227.2**

All residential properties, and the majority of the non-residential properties, and all freeholds were valued as at 31 March 2020 by either Jones Lang LaSalle or Savills, Chartered Surveyors. This valuation was prepared in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2020 together, where applicable, with the UK National Supplement effective 14 January 2019, together (the ''Red Book''), and in particular in accordance with the requirements of VPS 3 entitled Valuation reports.

In accordance with these standards, the valuers have declared a 'material valuation uncertainty' in their valuation reports due to the uncertainties in markets caused by Covid-19. The values in their reports have been used to inform the measurement of property assets at valuation in these financial statements. With the valuers having declared this material valuation uncertainty, the valuers have continued to exercise professional judgement in providing the valuation and this remains the best information available to the Group.

The value of the remaining commercial properties has been estimated internally, using Jones Lang LaSalle's valuation results as a guide, as £2.2 million (2019: £2.2 million).

Investment properties with a combined fair value of £147.7 million (2019: £147.2 million) are held as security against debt and derivatives (notes 24 and 26).

Notes to the Financial Statements for the year ended 31 March 2020 continued

16. Non-housing fixed assets

Group

	Freehold and leasehold offices £m	Office furniture, fixtures and fittings £m	Computer hardware £m	Total £m
Cost				
At 1 April 2019	42.1	25.2	24.1	**91.4**
Additions	0.7	1.1	2.6	**4.4**
Transfer to other intangible assets	-	-	(0.1)	**(0.1)**
Transfers to investment properties	(0.1)	-	-	**(0.1)**
Disposals	-	(0.4)	(1.1)	**(1.5)**
At 31 March 2020	**42.7**	**25.9**	**25.5**	**94.1**
Depreciation and impairment				
At 1 April 2019	(16.8)	(10.9)	(15.6)	**(43.3)**
Depreciation charge for the year	(1.0)	(3.6)	(3.5)	**(8.1)**
Transfer to other intangible assets	-	-	0.1	**0.1**
Eliminated on disposals	-	0.1	0.3	**0.4**
At 31 March 2020	**(17.8)**	**(14.4)**	**(18.7)**	**(50.9)**
Net book value				
At 31 March 2020	**24.9**	**11.5**	**6.8**	**43.2**
Net book value				
At 31 March 2019	25.3	14.3	8.5	48.1

Parent

	Freehold and leasehold offices £m	Office furniture, fixtures and fittings £m	Computer hardware £m	Total £m
Cost				
At 1 April 2019	2.6	19.2	21.6	**43.4**
Additions	0.6	1.0	2.6	**4.2**
Transfers to other intangible assets	-	-	(0.1)	**(0.1)**
Disposals	-	-	(1.1)	**(1.1)**
At 31 March 2020	**3.2**	**20.2**	**23.0**	**46.4**
Depreciation				
At 1 April 2019	(1.6)	(5.9)	(13.4)	**(20.9)**
Depreciation charge for the year	(0.2)	(3.2)	(3.4)	**(6.8)**
Transfers to other intangible assets	-	-	0.1	**0.1**
Eliminated on disposals	-	-	0.3	**0.3**
At 31 March 2020	**(1.8)**	**(9.1)**	**(16.4)**	**(27.3)**
Net book value				
At 31 March 2020	**1.4**	**11.1**	**6.6**	**19.1**
Net book value				
At 31 March 2019	1.0	13.3	8.2	22.5

Notes to the Financial Statements for the year ended 31 March 2020 continued

17. Interests in JCEs and associates - Group

As detailed in note 34, the Group is a member of a number of jointly controlled entities and associates ("JCEAs").

The amounts included in respect of the Group's share of JCEAs comprise the following:

	2020 £m	2019 £m
Turnover	27.8	18.8
Cost of sales	(25.9)	(19.1)
Operating surplus/(deficit)	1.9	(0.3)
Interest payable	(2.5)	(1.3)
Reversal of impairment	-	14.5
(Deficit)/surplus for the year	(0.6)	12.9
Assets	180.9	152.1
Liabilities	(202.9)	(166.0)
Net liabilities	(22.0)	(13.9)
Investment in JCEAs	174.5	120.5
Interest in JCEAs	152.5	106.6

In accordance with FRS 102, the results for the year have been adjusted to eliminate any amounts in relation to sales of properties to other members of the Group. Likewise, the amounts above are also adjusted as necessary to be in line with Group accounting policies: in the case of Graylingwell and York Road, eligible interest costs are capitalised; and in all cases, prepaid marketing costs are expensed as incurred.

Included in 'Investment in JCEAs' are loans from the Group totalling £172.9 million (2019: £119.6 million).

These loans include £26.1 million (2019: £31.7 million) for amounts lent to Linden/Downland Graylingwell LLP ("Graylingwell"), on which interest is currently charged at LIBOR plus 3.5%. Historically, in addition to the impairment losses arising on the loan, the loan amount had also been reduced by the equity accounted losses of £14.5m arising on Graylingwell. Given that the loan impairment had already been recognised by the Group, these equity accounted losses were reversed in the prior year, resulting in a £14.5m credit to income.

Development agreements for the construction of residential property are in place between the Group and some of its JCEAs. The amount of construction works provided in the year was £6.4 million (2019: £5.7 million) and £nil is included in creditors at the reporting date (2019: £nil).

During the year, the Group received profit distributions of £1.9 million from its JCEAs (2019: £1.8 million).

18. Other fixed asset investments

Group

	2020 £m	2019 £m
Equity loans including HomeBuy	12.5	13.0

Equity loans are secured against the properties to which they relate. Where interest is charged, this is at 1.75% from the fifth anniversary, increasing annually by RPI plus 1%. With the exception of some loans, where repayment is required between the 10th and 25th anniversary, repayment is deferred until the related property is sold, or the homeowner decides to make voluntary repayment.

Parent

	2020 £m	2019 £m
Investment in subsidiaries	2.0	2.0

19. Stock - Group

	Under construction		Completed properties		
	Social £m	Non-social £m	Social £m	Non-social £m	Total £m
At 1 April 2019	117.9	233.2	23.6	11.6	**386.3**
Additions	131.0	96.8	-	-	**227.8**
Impairment reversal/(charge)	(4.7)	8.4	-	-	**3.7**
Properties completed	(97.5)	(119.2)	97.5	119.2	**-**
Properties sold	-	-	(56.7)	(47.1)	**(103.8)**
At 31 March 2020	**146.7**	**219.2**	**64.4**	**83.7**	**514.0**

Notes to the Financial Statements for the year ended 31 March 2020 continued

20. Debtors

	Group 2020 £m	Group 2019 £m	Parent 2020 £m	Parent 2019 £m
Amounts falling due within one year				
Rents and service charges debtors	**66.3**	70.8	**-**	-
Impairment	**(37.4)**	(33.3)	**-**	-
	28.9	37.5	**-**	-
Amounts due from Group undertakings: loans and cash pooling	**-**	-	**10.8**	4.8
Local authority housing transfers	**7.2**	10.8	**-**	-
Prepayments and accrued income	**27.3**	26.3	**7.8**	7.0
Amounts due from Group undertakings: trading	**-**	-	**18.3**	43.0
Other debtors	**24.3**	14.4	**3.0**	1.3
	87.7	89.0	**39.9**	56.1
Amounts falling due after one year				
Amounts due from Group undertakings: loans	**-**	-	**377.9**	318.1
Local authority housing transfers	**105.0**	108.6	**-**	-
Derivative financial assets (see note 26)	**15.0**	9.1	**-**	-
Deferred tax assets (see note 11)	**0.1**	0.3	**-**	-
Other debtors	**0.2**	0.3	**0.1**	0.1
	120.3	118.3	**378.0**	318.2

Included in 'Rent and service charges debtors' are gross social housing rent arrears of £65.0 million (2019: £69.8 million), which are impaired by £36.5 million (2019: £32.8 million).

21. Current asset investments - Group

	2020 £m	2019 £m
Collateral deposits	**115.8**	111.8
Cash held on deposit	**4.9**	4.5
	120.7	116.3

Collateral deposits represent cash that the Group has had to place with derivative counterparties, as a result of the derivative fair values being sufficiently "out of the money" that the Group's liability exceeds an agreed amount.

Funds held by Igloo, the Group's insurance vehicle, have been invested on a short-term basis. At the reporting date, £4.2 million (2019: £4.5 million) is invested in various Certificates of Deposit, which mature over the course of the following year.

22. Creditors: amounts falling due within one year

	Group 2020 £m	Group 2019 £m	Parent 2020 £m	Parent 2019 £m
Debt (see note 24)				
Bank loans and bonds	**130.8**	184.2	**-**	-
Obligations under finance leases	**0.1**	0.1	**-**	-
Amounts due to Group undertakings: loans and cash pooling	**-**	-	**143.0**	224.9
	130.9	184.3	**143.0**	224.9
Capital grants (see note 25)				
Social housing property grants	**24.1**	22.9	**-**	-
Recycled Capital Grant Fund	**8.7**	9.8	**-**	-
Disposal Proceeds Fund	**-**	3.8	**-**	-
	32.8	36.5	**-**	-
Other creditors				
Trade creditors	**9.3**	15.3	**1.6**	2.0
Local authority housing transfers	**7.2**	10.8	**-**	-
Derivative financial liabilities (see note 26)	**7.1**	1.1	**-**	-
Rents and service charges received in advance	**30.4**	27.1	**-**	-
Other accruals and deferred income	**156.5**	128.1	**14.2**	14.7
Corporation tax	**0.9**	-	**-**	-
Other taxation and social security	**3.8**	0.6	**6.7**	2.2
Amounts due to Group undertakings: trading	**-**	-	**2.7**	5.4
Other creditors	**43.4**	20.3	**6.0**	6.6
	258.6	203.3	**31.2**	30.9
	422.3	424.1	**174.2**	255.8

The Group has a cash pooling arrangement whereby cash held by subsidiaries is pooled into the Parent's bank accounts. As a result the Group's subsidiaries hold very little cash and instead have an interest-bearing intercompany balance with the Parent.

Notes to the Financial Statements for the year ended 31 March 2020 continued

23. Creditors: amounts falling due after more than one year

	Group 2020 £m	Group 2019 £m	Parent 2020 £m	Parent 2019 £m
Debt (see note 24)				
Bank loans and bonds	**3,963.7**	3,745.5	**-**	-
Obligations under finance leases	**6.2**	6.2	**-**	-
Amounts due to Group undertakings: loans	**-**	-	**455.0**	395.1
	3,969.9	3,751.7	**455.0**	395.1
Capital grants (see note 25)				
Social housing property grants	**2,155.9**	2,089.6	**-**	-
HomeBuy grants	**10.7**	11.2	**-**	-
Recycled Capital Grant Fund	**14.2**	14.3	**-**	-
	2,180.8	2,115.1	**-**	-
Other creditors				
Local authority housing transfers	**105.0**	108.6	**-**	-
Derivative financial liabilities (see note 26)	**389.5**	336.3	**-**	-
Other creditors	**19.3**	11.5	**-**	-
	513.8	456.4	**-**	-
	6,664.5	6,323.2	**455.0**	395.1

24. Debt analysis - Group

	2020 £m	2019 £m
Debt is repayable as follows		
Due within one year	**130.9**	184.3
Due between one and two years	**111.0**	200.1
Due between two and five years	**149.6**	224.5
Due after more than five years	**3,709.3**	3,327.1
	4,100.8	3,936.0

The Group's funding is provided by the following entities, through a mixture of facilities which are drawn as follows. Additionally, there are a number of accounting adjustments to these notional amounts.

	2020 £m	2019 £m
Notional amounts drawn		
Clarion Treasury Limited		
- Loans	**1,685.0**	2,042.6
Clarion Funding PLC		
- Note issuance	**1,000.0**	500.0
Circle Anglia Social Housing PLC		
- Bond issuance	**635.0**	635.0
Affinity Sutton Capital Markets PLC		
- Bond issuance	**500.0**	500.0
Circle Anglia Social Housing 2 PLC		
- Private placement	**150.0**	150.0
Clarion Housing Association Limited		
- Bonds and loans	**50.5**	53.0
- Finance leases	**5.7**	5.9
Latimer Weyburn Works Ltd		
- Loans	**14.4**	-
	4,040.6	3,886.5
Accounting adjustments		
Fair value adjustment due to		
- Acquisitions of Mercian Housing Association Limited and Russet Homes Limited	**14.3**	15.3
- Hedging of private placement	**21.7**	14.8
Effective interest rate adjustment	**24.2**	19.4
	60.2	49.5
	4,100.8	3,936.0

The fair value adjustment relating to acquisitions is amortised over the life of the related loans and £1.0 million has been released in this period (2019: £1.1 million).

Notes to the Financial Statements for the year ended 31 March 2020 continued

24. Debt analysis - Group continued

The following tables show the maturity and margins on the Group's principal borrowings:

	Within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	Total £m
Maturity of notional amounts drawn					
Term	117.9	48.3	107.4	1,070.3	**1,343.9**
Revolver	7.9	57.8	29.4	260.4	**355.5**
Bond	1.0	1.1	3.6	2,164.0	**2,169.7**
Private placement	-	-	-	150.0	**150.0**
Finance lease	0.1	0.1	0.4	5.1	**5.7**
Other	1.9	2.0	6.3	5.6	**15.8**
At 31 March 2020	**128.8**	**109.3**	**147.1**	**3,655.4**	**4,040.6**
At 31 March 2019	181.5	197.5	217.5	3,290.0	3,886.5

	Within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	Total £m
Maturity of facilities (notional amounts)					
Term	117.9	50.9	107.4	1,070.3	**1,346.5**
Revolver	46.9	58.1	530.6	508.4	**1,144.0**
Bond	1.0	1.1	3.6	2,164.0	**2,169.7**
Private placement	-	-	-	150.0	**150.0**
Finance lease	0.1	0.1	0.4	5.1	**5.7**
Other	1.9	2.0	6.3	5.6	**15.8**
At 31 March 2020	**167.8**	**112.2**	**648.3**	**3,903.4**	**4,831.7**
At 31 March 2019	181.7	197.7	618.5	3,463.4	4,461.3

	At 1 April 2019 £m	Cash flows £m	Changes in fair value £m	Other non-cash changes £m	At 31 March 2020 £m
Analysis of changes in net debt					
Cash and cash equivalents	181.1	(60.6)	-	-	**120.5**
Debt	(3,936.0)	(150.3)	(6.9)	(7.6)	**(4,100.8)**
Derivatives	(328.3)	-	(53.3)	-	**(381.6)**
Net debt	**(4,083.2)**	**(210.9)**	**(60.2)**	**(7.6)**	**(4,361.9)**

	Fixed rate £m	Floating rate £m	Total £m
Analysis of financial instruments by type of interest (notional amounts)			
Term	1,250.7	93.2	**1,343.9**
Revolver	241.8	113.7	**355.5**
Bond	2,169.7	-	**2,169.7**
Private placement	-	150.0	**150.0**
Finance lease	5.7	-	**5.7**
Other	15.3	0.5	**15.8**
Borrowings at 31 March 2020	**3,683.2**	**357.4**	**4,040.6**
Cash and cash equivalents	(6.4)	(114.1)	**(120.5)**
Collateral and other deposits	(4.2)	(116.5)	**(120.7)**
Cash and deposits at 31 March 2020	**(10.6)**	**(230.6)**	**(241.2)**
Net borrowings at 31 March 2020	**3,672.6**	**126.8**	**3,799.4**
Net borrowings at 31 March 2019	3,284.7	304.4	3,589.1

The Group's debt has a weighted average maturity of 15 years (2019: 14 years) and a weighted average cost of 4.15% (2019: 4.20%). In order to minimise the Group's exposure to variable interest rate risk, 97% of the Group's portfolio is fixed, either directly or as a result of interest-rate swaps which convert variable interest rates to fixed interest rates (2019: 92%).

Notes to the Financial Statements for the year ended 31 March 2020 continued

25. Capital grants - Group

	HomeBuy grants £m	Social housing property grants £m
At 1 April 2019	11.2	2,112.5
New grant recognised	-	95.9
RCGF/DPF utilised	-	11.4
Amortisation	-	(23.6)
Recycled on disposals (net of amortisation)	(0.5)	(4.6)
Disposals not required to be recycled	-	(11.6)
At 31 March 2020	**10.7**	**2,180.0**
Amounts falling due within one year	-	24.1
Amounts falling due after more than one year	10.7	2,155.9
	10.7	**2,180.0**

	HE £m	GLA £m	Total £m
Recycled Capital Grant Fund			
At 1 April 2019	13.7	10.4	**24.1**
Additions to fund due to disposals	3.9	2.3	**6.2**
Interest accrued	0.1	0.1	**0.2**
Utilised against new properties	(6.5)	(1.1)	**(7.6)**
At 31 March 2020	**11.2**	**11.7**	**22.9**
Amounts falling due within one year			8.7
Amounts falling due after more than one year			14.2
			22.9
Amounts three years old or older which may need to be repaid	0.3	2.4	**2.7**

	HE £m	GLA £m	Total £m
Disposal Proceeds Fund			
At 1 April 2019	2.2	1.6	**3.8**
Utilised against new properties	(2.2)	(1.6)	**(3.8)**
At 31 March 2020	**-**	**-**	**-**

26. Financial instruments - Group

The following financial derivative contracts are in place:

	Active £m	Forward starting £m	2020 Total £m	Active £m	Forward starting £m	2019 Total £m
Notional						
Interest-rate swaps - pay fixed	1,267.8	100.0	**1,367.8**	1,354.0	100.0	1,454.0
Interest-rate swaps - receive fixed	100.0	-	**100.0**	100.0	-	100.0
	1,367.8	**100.0**	**1,467.8**	1,454.0	100.0	1,554.0
Fair value						
Interest-rate swaps - pay fixed	(380.0)	(16.6)	**(396.6)**	(326.3)	(11.1)	(337.4)
Interest-rate swaps - receive fixed	15.0	-	**15.0**	9.1	-	9.1
	(365.0)	**(16.6)**	**(381.6)**	(317.2)	(11.1)	(328.3)

Forward starting swaps represent hedging activity entered into in line with the Group's Treasury Risk Management Policy based on the forecast debt profile to protect against future interest rate increases.

For those interest-rate swaps where cash flow hedge accounting is used, the net undiscounted cash flows are expected to occur as follows:

	2020 £m	2019 £m
Due within one year	**38.6**	36.6
Due between one and two years	**34.1**	29.2
Due between two and five years	**81.5**	65.6
Due after more than five years	**281.0**	225.3
	435.2	356.7

In order to better understand the assumptions behind the nature of measuring the fair values of the Group's swap portfolio, the values have been placed into a hierarchy similar to that under IFRS 13.

All of the Group's derivatives at the reporting date are Level 2 (2019: all are Level 2).

The Group's hedged items and hedging instruments continue to be indexed to Sterling LIBOR. The Group applies the amendments to IFRS 9 issued in September 2019 to those hedging relationships directly affected by IBOR reform and the amendments to FRS 102 issued in December 2019 for the disclosure of such relationships. For the purpose of evaluating whether there is an economic relationship between the hedged items and the hedging instruments, the Group assumes that the benchmark interest rate is not altered as a result of IBOR reform.

Notes to the Financial Statements for the year ended 31 March 2020 continued

27. Provisions for liabilities and charges

	Group		Parent	
	2020 **£m**	2019 £m	**2020** **£m**	2019 £m
Net pension liabilities	**32.3**	69.3	**-**	-
Deferred tax liabilities	**1.3**	1.1	**-**	-
Other	**9.0**	7.3	**0.9**	0.9
	42.6	77.7	**0.9**	0.9

For further details of the Group's and Parent's pension arrangements, see note 28.

Group

	Deferred tax liabilities £m	Other £m	Total £m
Deferred tax liabilities and other provisions			
At 1 April 2019	1.1	7.3	**8.4**
Additions	0.3	4.0	**4.3**
Amounts utilised	-	(1.0)	**(1.0)**
Unused amounts reversed	(0.1)	(1.3)	**(1.4)**
At 31 March 2020	**1.3**	**9.0**	**10.3**

See note 11 for an explanation of the deferred tax liabilities.

Other provisions includes, amongst other amounts, £3.2 million for a pension cessation guarantee made as a result of the in-year disposal of Invicta Telecare Limited (2019: £nil) and £3.1 million for an arrangement with Thames Water for collecting water and service charges (2019: £4.1 million).

Parent

	Other £m
Other provisions	
At 1 April 2019	0.9
Additions	0.1
Amounts utilised	(0.1)
At 31 March 2020	**0.9**

Other provisions includes, amongst other amounts, £0.9 million (2019: £0.9 million) for dilapidations at leased offices that the Parent has decided to vacate.

28. Pensions

The Group now participates in the following defined benefit schemes, which it accounts for as defined benefit schemes:

Scheme	Date of the most recent comprehensive actuarial valuation
Cambridgeshire County Council Pension Fund	31 March 2019
Clarion Housing Group Pension Scheme	30 September 2018
Downland Housing Group Pension & Assurance Scheme	31 March 2018
Kent County Council Pension Fund	31 March 2019
London Borough of Bromley Pension Fund	31 March 2019
London Borough of Merton Pension Fund	31 March 2019
London Pensions Fund Authority Pension Fund	31 March 2019
Norfolk County Council Superannuation Fund	31 March 2019
Surrey County Council Pension Fund	31 March 2019

The Parent pays contributions in respect of active employees, and accounts for these on a defined contribution basis.

Notes to the Financial Statements for the year ended 31 March 2020 continued

28. Pensions continued

The most recent comprehensive actuarial valuations have been used by the scheme actuaries to estimate the amounts recognised by the Group. These amounts are, in aggregate, as follows:

Reconciliation of opening and closing pension assets and liabilities:

	Group	
	2020 £m	2019 £m
Fair value of scheme assets		
At the beginning of the year	**384.5**	357.9
Interest income	**9.0**	9.2
Actual return on scheme assets less interest income	**(10.7)**	13.7
Contributions by employer	**10.9**	11.2
Contributions by members	**0.6**	0.7
Benefits paid	**(13.0)**	(11.2)
Transfer in of SHPS assets	**-**	3.0
Disposal of subsidiary	**(8.8)**	-
At the end of the year	**372.5**	384.5
Defined benefit obligation		
At the beginning of the year	**453.8**	428.8
Current service cost	**5.6**	6.2
Past service cost, curtailments and settlements	**0.8**	0.2
Interest expense	**10.5**	10.9
Actuarial (gains)/losses in respect of liabilities	**(43.2)**	18.2
Contributions by members	**0.6**	0.7
Benefits paid	**(13.0)**	(11.2)
Disposal of subsidiary	**(10.3)**	-
At the end of the year	**404.8**	453.8
Net pension liabilities	**(32.3)**	(69.3)

In addition to the assets and liabilities shown above, one of the pension schemes holds an amount of £2.0 million in relation to matching annuities with an insurance company (2019 : £2.0 million).

Amounts credited/(charged) to the Income Statement:

	Group 2020 £m	2019 £m
Operating costs		
Current service cost	**(5.6)**	**(6.2)**
Past service cost, curtailments and settlements	**(0.8)**	**(0.2)**
	(6.4)	**(6.4)**
Interest payable relating to pensions		
Interest income	**9.0**	**9.2**
Interest expense	**(10.5)**	**(10.9)**
	(1.5)	**(1.7)**
	(7.9)	**(8.1)**

Gains/(losses) recognised in other comprehensive income:

	Group 2020 £m	2019 £m
Actuarial gains/(losses)		
Actual return on scheme assets less interest income	**(10.7)**	13.7
Actuarial gains/(losses) in respect of liabilities	**43.2**	(18.2)
	32.5	(4.5)
Gain on transfer of SHPS	**-**	3.0
	32.5	(1.5)

The categories of scheme assets, and the actual return on those assets, were as follows:

	Group 2020 £m	2019 £m
Equities	**122.5**	185.2
Gilts and other bonds	**132.9**	122.2
Property	**23.3**	26.1
Cash	**3.8**	4.7
Target return portfolio	**8.5**	5.2
Other	**81.5**	41.1
	372.5	384.5
Actual return	**(1.7)**	22.9

Notes to the Financial Statements for the year ended 31 March 2020 continued

28. Pensions continued

The ranges of principal actuarial assumptions used, including the expected number of years in retirement, are as follows:

	Group	
	2020	2019
Inflation	**1.9%-2.9%**	2.3%-3.5%
Future salary increases	**2.4%-3.6%**	2.8%-4.3%
Future pension increases	**1.9%-2.9%**	2.4%-3.5%
Discount rate	**2.3%-2.4%**	2.4%-2.5%
Retiring today - male	**21.0-22.8**	21.0-23.5
Retiring today - female	**23.2-25.5**	23.0-26.2
Retiring in twenty years - male	**22.3-24.7**	22.7-26.2
Retiring in twenty years - female	**24.6-27.2**	24.3-28.5

29. Contingent assets/liabilities

Group

As per note 1, the original amount of social housing property grants may become repayable. In addition to the amounts disclosed in creditors, £356.8 million of grant has been credited to reserves to date through amortisation (2019: £338.3 million). The timing of any future repayment, if any, is uncertain.

The Group has a contingent liability in relation to defects found at 781 other properties (2019: 530 properties). For 74 of these properties, a formal liability assessment has been made, totalling £0.5 million (2019: 47 properties, £0.4 million).

Parent

The Parent has no contingent assets/liabilities.

30. Capital commitments

Group

	2020 £m	2019 £m
Contracted for but not provided for in the financial statements	**1,423.5**	1,013.1
Authorised by the Board but not contracted for	**2,755.5**	2,976.8
	4,179.0	3,989.9

These commitments to future capital expenditure predominantly relate to the construction of housing properties.

The figures above include £587.3 million (2019: £700.0 million) for the Group's share of the capital commitments of its JCEAs.

At the reporting date the Group had £120.5 million of cash and cash equivalents and £791.1 million of undrawn funding. The remaining £3,267.4 million is expected to be funded by future surpluses and debt funding, sourced from banks and the debt capital markets. The Group considers this to be a reasonable expectation given its previous success in these markets and its strong, investment-grade credit rating. A further £500 million of the Group's £3 billion European Medium Term Note programme was issued during the year (2019: £500 million).

Parent

	2020 £m	2019 £m
Contracted for but not provided for in the financial statements	-	9.9

Notes to the Financial Statements for the year ended 31 March 2020 continued

31. Commitments under leases

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

	Group 2020 £m	Group 2019 £m	Parent 2020 £m	Parent 2019 £m
Within the next year	**8.0**	7.1	**4.9**	5.0
Between one and five years' time	**22.6**	21.8	**17.5**	17.4
Later than five years' time	**5.3**	12.5	**5.2**	11.9
	35.9	41.4	**27.6**	34.3

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

	Group 2020 £m	Group 2019 £m	Parent 2020 £m	Parent 2019 £m
Within the next year	**0.6**	0.6	**-**	-
Between one and five years' time	**2.6**	2.5	**-**	-
Later than five years' time	**9.5**	10.2	**-**	-
	12.7	13.3	**-**	-

The latter reconciles to the amounts included in creditors for "obligations under finance leases" as follows:

	Group 2020 £m	Group 2019 £m	Parent 2020 £m	Parent 2019 £m
Obligations under finance leases				
Amounts falling due within one year	**0.1**	0.1	**-**	-
Amounts falling due after more than one year	**6.2**	6.2	**-**	-
	6.3	6.3	**-**	-
Interest payable to be recognised in future periods	**6.4**	7.0	**-**	-
	12.7	13.3	**-**	-

32. Non-equity share capital

	2020 £	2019 £
Shares of £1 issued and fully paid		
At the beginning of the year	**15**	17
Movements during the year	**-**	(2)
At the end of the year	**15**	15

Each member of the Parent holds one £1 share. These shares carry no dividend rights and are cancelled on cessation of membership of the Parent. Each member has the right to vote at members' meetings.

33. Legislative provisions

The Parent is a registered society under the Co-operative and Community Benefit Societies Act 2014 and is regulated by the Regulator of Social Housing.

Notes to the Financial Statements for the year ended 31 March 2020 continued

34. Subsidiaries, JCEs and associates

Full name	Company	FCA Registered Society	Charity Commission	Regulator of Social Housing
At the reporting date, Clarion Housing Group Limited controls the following entities. It also owns 100% of each of these entities, either directly or indirectly, except where shown in brackets:				
Registered Provider (Public Benefit Entity)				
Clarion Housing Association Limited	-	7686	-	4865
Property maintenance or management				
Clarion Response Limited	04129615	-	-	-
Grange Management (Southern) Limited	08351375	-	-	-
Registered charities (Public Benefit Entities)				
Circle Anglia Foundation Limited	01832817	-	326681	-
Circle Care and Support Limited	03307684	-	1107432	-
Clarion Futures	07156509	-	1135056	-
Treasury vehicles				
Affinity Sutton Capital Markets PLC	06678086	-	-	-
Affinity Sutton Funding Limited	05589011	-	-	-
Circle Anglia Social Housing PLC	06370683	-	-	-
Circle Anglia Social Housing 2 PLC	09781172	-	-	-
Clarion Funding PLC	10922187	-	-	-
Clarion Treasury Limited	06133979	-	-	-
Property development				
Affinity Sutton Investments Limited	07466271	-	-	-
Affinity Sutton Professional Services Limited	07068999	-	-	-
Broomleigh Regeneration Limited	06494492	-	-	-
Circle Housing Asset Design Limited	08822471	-	-	-
Downland Regeneration Limited	06456605	-	-	-
Latimer 90-92 Blackfriars Road Limited	11909078	-	-	-
Latimer Cocoa Works LLP	OC419999	-	-	-
Latimer Developments Limited	05452017	-	-	-
Latimer Furness Quay Limited	12429722	-	-	-
Latimer Green Lanes Limited	012398V	-	-	-
Latimer Media City Limited	11850531	-	-	-
Latimer Otford West Limited	11775770	-	-	-
Latimer Storrington Limited	11894235	-	-	-
Latimer Weyburn Works Limited	11474914	-	-	-
Leamington Waterfront LLP	OC318351	-	-	-
Merton Developments Limited	09042606	-	-	-
Your Lifespace Limited	02998648	-	-	-
Zenith Development Partnership Limited	04565189	-	-	-

Full name	Company	FCA Registered Society	Charity Commission	Regulator of Social Housing
Property management				
Avon View & Swan House Management Company Limited	06371295	-	-	-
Century Place (Pulborough) Management Company Limited	09651096	-	-	-
Conningbrook Lakes Management Limited	11416212	-	-	-
Elmbridge Road Cranleigh Homes Management Limited (89%)	11772660	-	-	-
Maple Grove (Hackbridge) Management Limited	11148693	-	-	-
Ropetackle East Management Company Limited	06601595	-	-	-
Thackeray Mews Limited (62%)	02666421	-	-	-
Waterfront (Warwick) Management Company Limited	06371938	-	-	-
Water Meadow Place Management Limited	11621637	-	-	-
Other				
Circle Living Limited	05737166	-	-	-
Old Ford Homes Limited	04625160	-	-	-
Rent with Clarity Limited	11504941	-	-	-

The Group also accounts for the assets and liabilities of its captive insurance cell as if it were a subsidiary:

Insurance vehicle				
Igloo Insurance PCC Limited (Cell ASG2)	53462	-	-	-

The Group is a member of the following JCEs. It also owns 50% of each:

Property development				
72 Farm Lane Developments LLP	OC379893	-	-	-
261 City Road Developments LLP	OC360210	-	-	-
Bonner Road LLP	OC401099	-	-	-
Bovis Latimer (Sherford) LLP	OC423820	-	-	-
Circle Hill LLP	OC397177	-	-	-
Countryside Clarion (Eastern Quarry) LLP	OC420693	-	-	-
Countryside Clarion (North Leigh) LLP	OC423377	-	-	-
Hadley Goodmayes LLP	OC429926	-	-	-
Latimer Hill LLP	OC415952	-	-	-
Latimer Hill (Hardwick) LLP	OC429829	-	-	-
Linden (York Road) LLP	OC392756	-	-	-
Linden/Downland Graylingwell LLP	OC333712	-	-	-
Lovell Latimer LLP	OC429114	-	-	-
Mayfield Market Towns Limited	08161672	-	-	-
Ramsden Regeneration LLP	OC352417	-	-	-
Vistry Latimer Collingtree LLP	OC429233	-	-	-
Wilmington Regeneration LLP	OC352419	-	-	-

Notes to the Financial Statements for the year ended 31 March 2020 continued

34. Subsidiaries, JCEs and associates continued

Full name	Company	FCA Registered Society	Charity Commission	Regulator of Social Housing
261 City Road Developments LLP has the following 100% subsidiary:				
City Road (Lexicon) Limited	30048	-	-	-
Mayfield Market Towns Limited has the following 100% subsidiary:				
Mayflower Residential Limited	11193327	-	-	-
The Group is a member of the following associates (ownership in brackets):				
Social investment				
Community Impact Partnership CIC (25%)	11275198	-	-	-

All of the above companies are incorporated in England and Wales with the exception of Latimer Green Lanes Limited (registered on the Isle of Man), Igloo Insurance PCC Limited (registered in Guernsey) and City Road (Lexicon) Limited (registered in Bermuda).

35. Related party disclosures and intra-group transparency

Debtor and creditor balances between members of the Group are either debt subject to a market rate of interest, fair values in respect of intra-Group derivative contracts, or trading balances which are non-interest bearing and are due to be settled within one year of their recognition.

The Group has a cash pooling arrangement whereby cash held by subsidiaries is pooled into the ultimate parent's bank accounts. As a result the Group's subsidiaries generally hold very little cash and instead have an interest-bearing intercompany balance with the ultimate parent.

As the Group parent, Clarion Housing Group Limited incurs certain overheads centrally on behalf of the whole Group. These costs are then recharged to other members of the Group.

Firstly, direct costs are allocated to specific business areas, such as housing management, property development and community investment. The remaining central overheads are then apportioned across all entities based on their gross profit.

Additionally, the Group parent carries out repairs to some of Clarion Housing Association Limited's housing properties, and the amount charged for this is included in the figures below.

The recharges were as follows:	**2020 £m**	2019 £m
Affinity Sutton Professional Services Limited	**1.4**	1.5
Circle Care and Support Limited	**-**	0.5
Clarion Futures	**3.2**	2.6
Clarion Housing Association Limited	**86.0**	78.5
Clarion Response Limited	**1.1**	0.8
Grange Management (Southern) Limited	**0.2**	0.1
Invicta Telecare Limited	**0.2**	0.5
Latimer Developments Limited	**1.4**	1.1
Latimer Green Lanes Limited	**0.1**	-
Latimer Weyburn Works Limited	**0.1**	-
Leamington Waterfront LLP	**-**	0.1
	93.7	85.7

Other regulated members of the Clarion Housing Group have disclosed transactions with non-regulated members in their own financial statements.

Apart from any disclosures made in relation to the Group's JCEAs, no other related party transactions require disclosure.

We are standing up + strengthening relationships
speaking up + influencing
building thriving communities
benefiting society + empowering people
to improve every aspect of affordable housing across the UK.

CLARION
HOUSING GROUP

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