

## Annual Return (AR30) form

Society Name: Town and Country Housing

Society Num: 30167 R

An Annual Return must be completed by all societies registered under the Co-operative and Community Benefit Societies Act 2014 ('the Act') (including any societies previously registered under the Industrial and Provident Societies Act 1965). The Annual Return must include:

- this form;
- a set of the society's accounts; and
- where required, an audit report or report on the accounts.

A society must submit the Annual Return within 7 months of the end of the society's financial year. Failure to submit on time is a prosecutable offence.

Please note that this form, including any details provided on the form, will be made available to the public through the Mutuels Public Register.

For guidance on our registration function for societies, which includes guidance on the requirement to submit an Annual Return, please see [here](#)

### 2.1 What date did the financial year covered by these accounts end?

31/03/2020

### 3.1 Please provide the names of the people who were directors of the society during the financial year this return covers.

Some societies use the term 'committee member' or 'trustee' instead of 'director'. For ease of reference, we use 'director' throughout this form.

Name of Director	Month of Birth	Year of Birth
Francis Salway	Oct	1957
Graham Hill	Oct	1960
Mark Dickinson	Mar	1968
Mark Easton	Feb	1953
Melanie Forrester	Jun	1969
Marianne Ismail	Mar	1952

Valerie Marshall	Mar	1945
Gaylene Kendall	Mar	1968
Chris Starke	Nov	1962
Kim Hill	Nov	1962
Robert Heapy	Dec	1958
Susan Martin	Jul	1958
Deidre Moss	Oct	1964

**3.2 All directors must be 16 or older. Please confirm this is this case:**

☒ All directors are aged 16 or over

**3.3 Societies are within the scope of the Company Director Disqualification Act 1986 (CDDA). Please confirm that no director is disqualified under that Act:**

☒ No director is disqualified

**3.4 Please state any close links which any of the directors has with any society, company or authority.**

‘Close links’ includes any directorships or senior positions held by directors of the society in other organisations.

Francis Salway  
Peabody Trust - Trustee  
Next plc - Non executive director  
Cadogan Group Limited - Non executive director  
Monson Homes Board - Non Executive Director

Mark Dickinson  
CEO – Lifestory  
Monson Homes Limited – Non Executive Director  
Mark Easton  
Wanstead Rugby Club – Non Executive director

Susan Martin  
LGPS – Non Executive director

Graham Hill  
Kent Wildlife Trust - Trustee and Honorary Secretary  
Kent Wildlife Enterprises Limited - Director  
GRH Retirement Fund - Trustee and Scheme Administrator of pension scheme

Chris Starke  
Phoenix Community Housing - Director of Finance  
Phoenix Agency Services - Board member

Bob Heapy  
Town and Country Housing – CEO  
Town and Country Housing Living – Company Secretary  
Director, Countrywise Repairs

Marianne Ismail  
Monson Homes Limited Non Executive Director  
Valerie Marshall  
Stratagem CFS – Director/Shareholder  
Marshall Capital Ltd – Director/Shareholder  
Baronsmead Venture Trust PLC – Director/ Shareholder

**3.5 Please provide the name of the person who was secretary at the end of the financial year this return covers.**

Societies must have a secretary

Name of Secretary	Month of Birth	Year of Birth
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Robert Heapy

Dec

1958

#### 4.1 Please confirm that:

- ☒ accounts are being submitted with this form
- ☒ the accounts comply with relevant statutory and accounting requirements
- ☒ the accounts are signed by two members and the secretary (3 signatures in total)

#### 4.2 Based on the accounts, please provide the information requested below for the financial year covered by this return.

**Number of members**

13

**Turnover**

64,900,000.00

**Assets**

860,000,000.00

**Number of Employees**

194

**Share Capital**

14

**Highest rate of interest  
paid on shares**

0

#### 4.3 What Standard Industrial Classification code best describes the society's main business?

Where more than one code applies, please select the code that you feel best describes the society's main business activity. You will find a full list of codes [here](#)

**SIC Code**

**Renting and operating of Housing Association  
real estate (68201)**

\*

Societies are required to appoint an auditor to audited unless they are small or have disapplied this requirement. For further guidance see chapter 7 of our guidance:

<https://www.fca.org.uk/publication/finalised-guidance/fg15-12.pdf>

**5.1 Please select the audit option the society has complied with:**

- ☒ Full Professional Audit
- ☐ Auditor's report on the accounts
- ☐ Lay Audit
- ☐ No audit

**5.2 Please confirm the audit option used by the society is compliant with the society's own rules and the Act**

- ☒ We have complied with the audit requirements

**5.3 Please confirm any audit report (where required) is being submitted with this Annual Return**

- ☒ Yes
- ☐ Not applicable

**5.4 Is this society accepted by HM Revenue and Customs (HMRC) as a charity for tax purposes?**

- ☒ Yes
- ☐ No

**5.5 If the society is registered with the Office of the Scottish Charity Regulator (OSCR) please provide your OSCR registration number.**

- ☐ Registered
- ☒ Not applicable

**5.6 Is the society a housing association?**

- ☐ No
- ☒ Yes

**5.7 Please confirm which housing regulator you are registered with, and provide the registration number they have given you:**

- ☒ Homes and Communities Agency
- ☐ Scottish Housing Regulator
- ☐ The Welsh Ministers

6.1 Is the society a subsidiary of another society?

- ☒ Yes
- ☐ No

6.2 Does the society have one or more subsidiaries?

(As defined in sections 100 and 101 of the Act)

- ☒ Yes
- ☐ No

6.3 If the society has subsidiaries, please provide the names of them below

(or attach an additional sheet)

Reg Number	Name
26702R	TCHG Living Limited
5880788	Monson Homes Limited
7947560	Countrywise Repairs Limited

6.4 Please provide below (or on a separate sheet) the names of subsidiaries not dealt with in group accounts (if any) and reasons for exclusions:

(the society must have written authority from us to exclude a subsidiary from group accounts)

Reg Number	Name	Reason for Exclusion
0	0	0

All societies are registered meeting one of two conditions for registration. These are that the society is either:

- a bona fide co-operative society ('co-operative society'); or
- are conducting business for the benefit of the community ('community benefit society').

You must answer the questions set out in the next section of this form, depending on which condition for registration you meet.

If you are not sure which condition for registration applies to the society please see chapters 4 and 5 of our guidance [here](#).

## 7.1 Condition for Registration

- ☐ Co-operative society
- ☒ Community Benefits society

Community benefit societies must answer the following questions in relation to the financial year covered by this return.

### 7B.1 What is the business of the society?

For example, did you provide social housing, run an amateur sports club etc.

The society benefits poor people, old people, disabled (physically or mentally) people or chronically sick people.

### 7B.2 Please describe the benefits to the community the society delivered?

Here we are looking to see what the benefits to the community were. Community can be said to be the community at large. For example, did you relieve poverty or homelessness through the provision of social housing.

The provision of affordable housing which allowed people to house themselves more cheaply and with better security of tenure than on the open market. This increases their overall chances in society. The provision of specialist, adapted and supported accommodation and the provision of support services for those in need by reason of their age or disability/ health allowed such people to secure appropriate accommodation where this might otherwise have been unavailable and to receive services that relieved their needs. These activities meet a clear need within the communities in which the society operates and increases the residents' overall chances in society.

### **7B.3 Please describe how the society's business delivered these benefits?**

The business of the society must be conducted for the benefit of the community. Please describe how the society's business (as described in answer to question 7B.1) provided benefit to the community.

The provision of affordable housing which allowed people to house themselves more cheaply and with better security of tenure than on the open market. This increases their overall chances in society. The provision of specialist, adapted and supported accommodation and the provision of support services for those in need by reason of their age or disability/ health allowed such people to secure appropriate accommodation where this might otherwise have been unavailable and to receive services that relieved their needs. These activities meet a clear need within the communities in which the society operates and increases the residents' overall chances in society.

### **7B.4 Did the society work with a specific community, and if so, please describe it here?**

For instance, were the society's activities confined to a specific location; or to a specific group of people? Please note that in serving the needs of any defined community, the society should not inhibit the benefit to the community at large.

The society is based in the South East of England

### **7B.5 What did the society do with any surplus or profit?**

For instance, did you pay a dividend to members (and if so, on what basis); did money get reinvested in the business; put into reserves; used for some other purpose?

Surpluses were reinvested in the business to ensure that the society continued to further its objects by providing social and other housing, amenities, services, facilities and assistance for the prevention or relief of poverty and the relief of those in need.  
Profits cannot be distributed to shareholders.

### **7B.6 Please state any significant commercial arrangements that the society has, or had, with any other organisation that could create, or be perceived as creating, a conflict of interest.**

Please tell us how you ensured that any such conflict of interest did not prevent the society from acting for the benefit of the community.

Town & Country Housing is part of the Peabody Group, of which Peabody Trust is the parent. The group includes a number of subsidiaries (such as Peabody South East Limited, Peabody Developments Limited, George Peabody Donation Fund, Peabody Capital PLC, Peabody Capital No 2 PLC, Tilfen Land Limited, Peabody Land Limited, Peabody Group Maintenance Limited, Peabody Community Foundation).





**HM Revenue  
& Customs**

**Charity, Assets & Residence  
Charities**  
St John's House  
Merton Road  
Liverpool  
L75 1BB

Mr Mark Dunthorne  
Financial Controller  
Town & Country Housing Group  
Monson House, Monson Way  
Tunbridge Wells  
Kent TN1 1LQ

**Tel** 08453 020203

**Fax** 0151 472 6268

[www.hmrc.gov.uk](http://www.hmrc.gov.uk)

**Date** 19 August 2008  
**Our Ref** XT6693  
**Your Ref**

**DX** 725580

Dear Mr Dunthorne

**Town and Country Housing Group**

Thank you for your letter of 21 July 2008.

We accept that Town and Country Housing Group is a charity for tax purposes under our reference XT6693 with effect from 10 January 2008. Please note only payments received on or after that date can be eligible Gift Aid payments.

**Enclosures**

- An authorised signatory form. You must complete this after reading carefully and send it with your first repayment claim.
- Repayment form R68, schedule(s) and guidance notes. *If you need more specific information on Gift Aid please see the paragraph overleaf headed "HMRC website".*
- Notice and application form for the 'Giving to charity through the Tax Return' scheme.

**Please**

- Keep this letter safe. It is the charity's evidence that it can claim the available tax exemptions.
- Pass it on to any successor and tell us who we should contact in the future. We will also need a new authorised signatory form.
- Do not send us any accounts unless we send you a tax return for completion.
- Tell us of changes to the charity's name or activities and provide any relevant documentation.

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Information is available in large print, audio tape and Braille formats.  
Type Talk service prefix number - 18001

Head of Unit: Keith Moore



**TOWN AND COUNTRY HOUSING**  
**Report and Consolidated Financial Statements**  
**for the year ended**  
**31 March 2020**

**Registered Society number 30167R**  
**Homes and Communities Agency Registration number L4251**

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**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**REPORT AND FINANCIAL STATEMENTS**

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## **TOWN AND COUNTRY HOUSING GROUP**

### **Year ended 31 March 2020**

#### **BOARD, DIRECTORS, ADVISERS AND BANKERS**

##### **BOARD MEMBERS**

Francis Salway, (Chair)  
Graham Hill, (Chair of Audit & Risk Committee)  
Mark Easton  
Robert Heapy, (Executive Member, Company Secretary & Chair of TCHG Living)  
Kim Hill  
Marianne Ismail  
Christopher Starke  
Gaylene Kendall  
Valerie Marshall (Vice Chair)  
Mark Dickinson, (Chair of Monson Homes)  
Melanie Forrester  
Deirdre Moss  
Susan Martin, (appointed October 2019)

##### **EXECUTIVE DIRECTORS**

Robert Heapy, Chief Executive  
Jo Ellis, Operations Director  
Colin Lissenden, Development Director

##### **AUDITORS**

###### **External**

KPMG LLP  
15 Canada Square  
London  
E14 5GL

###### **Internal**

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

##### **BANKERS**

Lloyds Bank PLC  
HSBC PLC  
Handelsbanken PLC

##### **LEGAL STATUS**

Registered under the Co-operative and Community Benefit Societies Act 2014 number: 30167R  
Registered under Section 3 of the Housing and Regeneration Act 2008 number: L4251.

##### **REGISTERED OFFICE**

Monson House, Monson Way, Tunbridge Wells, Kent, TN1 1LQ

# **TOWN AND COUNTRY HOUSING GROUP**

## **Year ended 31 March 2020**

### **CHAIR'S INTRODUCTION**

In May 2019 Town & Country Housing Group joined the Peabody Group ('Peabody'). At the time Peabody was a housing association with over 55,000 homes, and we had around 9,000 homes. So, we became part of a larger group, but Peabody is maintaining Town & Country Housing, as now renamed, as a separate subsidiary company with its own Board and with local decision making on operations.

In terms of governance, a member of the Peabody Board now sits on the Town & Country Board, and a member of the Town & Country Board sits on the Peabody Board. In addition, a Town & Country Board member sits on each of the relevant Peabody Committees.

The rationale of joining Peabody for Town & Country was to increase our capacity to build more new homes in our operating area of Kent and East Sussex and, for Peabody, it was to expand its coverage to an area forming part of the wider London hinterland. Town and Country's previous balance sheet capacity limited the organisation to delivering around 300 homes per annum, but as part of Peabody, it is planned to increase delivery levels progressively towards around 800 homes per annum. As a result of the economic impact of COVID19, this step up in development activity will now be spread over a slightly longer time period than originally anticipated

When we announced joining the Peabody Group, we were delighted with the positive response from our residents and from other stakeholders, which is a testament to Peabody's outstanding reputation in the social housing sector.

In terms of our financial performance in the year, we delivered an operating surplus (before fixed asset disposals) of £26.4 million in line with the prior year's figure of £26.0 million. This is notwithstanding an increased spend on the maintenance of our homes and also despite our gross income being affected by the last of the four years of rent cuts at minus 1% per annum. Consistent with this small movement in operating surplus, our gross operating margin at 40.8 % was also in line with the prior year's figure of 40.3 %. Our gross operating margin reflects the organisation's continued focus on efficiency and Value for Money initiatives.

At the pre-tax surplus/deficit level, we recorded a deficit for the year of £(42.3) million, calculated after deduction of an adverse movement in the fair value of our loans of £(52.0) million. As part of the merger with Peabody most of TCH Group's building society and bank debt was transferred to Peabody. It was replaced with an inter-company loan. Most of the loans transferred to Peabody had previously been shown in our accounts on an amortised cost basis; accounting rules require us to show the new inter-company loan on a fair value basis (i.e. reflecting current market values). This is a non-cash technical accounting adjustment which reverses out when our results are consolidated with Peabody's. The outstanding principal that TCH owes remains unchanged.

The deficit also included a £(6.1)m adverse movement in the value of our Investment Properties. This was due to adopting a different valuation method in line with Peabody's.

During the period of rent cuts, we purposely reduced the scale of our development activities. In 2019/20 we started construction of 321 new homes and completed 131. The comparative figures for the prior year were 263 and 131 homes.

Towards the end of the 2019/20 financial year, the UK responded to COVID 19 with a shutdown of most commercial and social activities. Our team responded with speed and decisiveness, and effectively introduced a new operating model with remote working, a focus on essential repairs and massively enhanced levels of support for vulnerable and isolated residents through calls to over 3,500 of our 9,000 residents.

These calls have also included support and guidance for those whose financial circumstances have been adversely affected as a result of the virus. We believe this work to have been effective so that, as at June 2020, our rent collection has been sustained at levels in line with the previous year.

## **TOWN AND COUNTRY HOUSING GROUP**

### **Year ended 31 March 2020**

#### **CHAIR'S INTRODUCTION (continued)**

In the 2020/21 financial year, we have 29 private homes and 174 shared ownership homes due for completion. To manage sales risks in the current economic environment, we are open to converting the tenure on some of these homes, although at this stage in the year we are encouraged by reservation levels. Nevertheless, we are alive to the fact that unemployment could rise sharply in the second half of the 2020 calendar year, and so we have scaled back our forward development programme. Whilst we have a long-term strategic aim to increase our development activity, we will not do this for so long as the economic backdrop remains weak.

With work on joining with Peabody at the beginning of the financial year and the response to COVID 19 at the end of the financial year, this has been a period of intense pressure for our management team and for all the people at Town & Country. Their response has been focused, flexible and highly effective. Financial, compliance and resident satisfaction targets have largely been sustained through this very challenging period, and I would like to thank all the members of the team at Town & Country, and my Board colleagues, for their contributions. I would also like to thank the Board and senior management team at Peabody for the welcome they have given us.



Francis Salway  
Chair  
16 July 2020

# **TOWN AND COUNTRY HOUSING GROUP**

## **Year ended 31 March 2020**

### **REPORT OF THE BOARD**

The Board presents its report and the audited financial statements of Town and Country Housing (TCH, or the TCH Group) for the year ended 31 March 2020.

#### **Principal activities**

TCH Group's principal activities are the management and development of social and affordable housing.

#### **Background**

The Group consists of five companies:

- Town and Country Housing, the parent, is a registered provider of social housing (RP), TCH is a wholly owned subsidiary of Peabody Trust;
- Monson Homes Limited, a development company;
- TCHG Capital PLC, a funding vehicle;
- Countrywise Repairs Limited, a maintenance company; and
- TCHG Living Limited (dormant).

On 9 May 2019 Town & Country Housing (TCH) joined Peabody Group and became a wholly owned subsidiary of Peabody Trust. TCH will continue as an operating subsidiary of Peabody Group.

#### **Town and Country Housing**

TCH is a registered provider of social housing and a registered society. TCH is the parent company and provides all of the central administrative functions for members of TCH Group, as well as providing the strategic direction. TCH Group owned 9,029 properties at 31 March 2020; this includes portfolios of shared ownership, sub-market rented and market-rented units.

#### **Monson Homes Limited (MHL)**

MHL is TCH Group's developer and the vehicle for TCH Group's regeneration schemes.

#### **TCHG Capital PLC (Capital)**

Capital raises funds on the capital markets for on-lending to TCH Group members. The shares are held by a Trustee, and TCH Group has an option to purchase them. The degree of control exercised is such that the company's financial statements are consolidated into the TCH Group financial statements.

#### **Countrywise Repairs Limited (CWR)**

CWR is a joint venture company with 51% owned by TCHG and 49% by Wates Living Space (Maintenance) Limited (part of the Wates Group). This joint venture is designed to give TCH Group certainty over service delivery of its day-to-day repairs.

#### **TCHG Living Limited (TCH Living)**

TCHG Living is a non-charitable registered society. The company did not trade during the year.

#### **Business review**

A review of TCH Group's results for the year is included in the strategic report from page 8 onwards.

# **TOWN AND COUNTRY HOUSING GROUP**

## **Year ended 31 March 2020**

### **REPORT OF THE BOARD (continued)**

#### **Governance**

TCH complies with the recommendations of the National Housing Federation Code of Governance (revised 2015) except for a temporary period to allow for Board succession. For five months during the year, to allow for transition and handover we exceeded the recommended board membership number and the maximum provided in our rules. Appropriate resolutions and ratifications have been passed to amend the rules to allow for up to fourteen board members including co-optees.

#### **Board Members and Executive Directors**

The present Board Members and the Executive Directors are set out on page 1. The Board Members are drawn from a wide range of backgrounds, bringing together professional, commercial and local experience.

During the year there were 14 members, 13 of whom were Non-Executives, including two Tenant Members. The Board meets formally at least six times a year to discuss the affairs of TCH Group.

The Chairman is a Peabody Trust Board member. A Peabody Trust Board member is TCH Group Board member. The subsidiary boards and committee structure also have joint TCH / Peabody board membership. The Chief Executive is a member of the Peabody Executive Management Team.

The Board Members of TCH are remunerated for their role as Non-Executive Members. Their remuneration can be found under note 9 of these financial statements.

Individual Board Members have their performance reviewed annually by the TCH Group Chair, with input from fellow Board Members.

The performance of TCH Group's committees is self-assessed by the various members annually, which is supported by assessments from Executives and staff and, in the case of the Audit & Risk Committee, by our internal and external auditors.

The Board undertakes a self-assessment of its performance, and that of its Chair annually, which is supported by assessments from the Executives. An external assessment of the Board's and the TCH Group Chair's performance is undertaken by an independent reviewer every two years. The latest assessment is in progress.

The purpose of the Board is to determine strategy, and to direct, control, scrutinise and evaluate the Group's affairs. The day-to-day management and implementation of the agreed strategy is delegated to the Chief Executive and the Executive Directors, who meet regularly and attend Board meetings. The Executive Directors hold no interest in the share capital of TCH.

#### **Statement of Board's responsibilities in respect of the Board's report and the financial statements**

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, 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;



# **TOWN AND COUNTRY HOUSING GROUP**

## **Year ended 31 March 2020**

### **REPORT OF THE BOARD (continued)**

#### **Statement of Board's responsibilities in respect of the Board's report and the financial statements (continued)**

- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the 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 enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

The Board has general responsibility for safeguarding the assets of TCH and hence for the prevention and detection of fraud and other irregularities.

#### **Employees and Board Members**

The strength of TCH lies in the quality of its Board Members and all its employees. In particular, its ability to meet its objectives and commitments in an efficient and effective manner depends upon their contribution.

TCH is an equal opportunities employer.

TCH shares information on its strategic objectives, progress and activities through regular formal briefing sessions, office and team meetings, and through the use of our intranet. Each member of staff has personal objectives set annually, which show how they will contribute to our overall objectives. These are kept under review in formal appraisals.

The health and safety of all staff is of utmost importance to TCH. It has implemented detailed health and safety policies and provides staff training and education on health and safety matters.

#### **Modern slavery**

TCH Group complies with its responsibilities under the Modern Slavery Act 2015 and has agreed a range of measures in order to fulfil them. These are set out in our Slavery and Human Trafficking Statement on our website.

# **TOWN AND COUNTRY HOUSING GROUP**

## **Year ended 31 March 2020**

### **REPORT OF THE BOARD (continued)**

#### **Disclosure of information to auditors**

At the date of making this report, each of TCH's Board Members, as set out on page 1, confirms the following:

- so far as each Board Member is aware, there is no relevant audit information needed by TCH's auditors in connection with preparing their report of which TCH's auditors are 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 needed by TCH's auditors in connection with preparing their report and to establish that TCH's auditors are aware of that information.

#### **STATEMENT ON INTERNAL CONTROLS**

The Board acknowledges its responsibility for establishing and maintaining the whole system of internal controls and for reviewing its effectiveness.

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

The risks faced by TCH are considered both in relation to TCH and their impact on the TCH Group as a whole.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1 April 2019 up to the date of approval of the annual report and financial statements. Some of the key elements of the control framework that TCH Group has established are as follows:

- The key risks are identified and recorded in a subsidiary risk register with the Group's Audit and Risk Committee being delegated to consider risk as a separate agenda item four times a year.
- The Board considers strategic risk twice a year and approves TCH Group's approach to risk and its risk appetite annually.
- The Peabody Group Audit & Risk Committee considers TCH's key risks as part of a wider Group review four times a year. The Peabody Group Board also considers strategic risk at least twice a year.
- The Board has approved a series of 'tramlines' (financial risk controls). These govern our decision-making and are intended to ensure that we do not place the viability of TCH Group at risk.
- A long-term business plan and comprehensive budgets are produced and approved at least annually by the Board.
- The Board regularly reviews key performance indicators, management accounts and performance against tramlines. TCH ensures that appropriate action is taken to address any areas of underperformance.
- Standing orders and financial regulations, including delegated authorities, are approved by the Board and are reviewed on a regular basis.
- A comprehensive treasury management policy and strategy is maintained and reviewed regularly by the Peabody Board which TCH operates under.
- An outsourced internal audit service reports quarterly to the Audit & Risk Committee and has direct access to the Chair of the committee.
- The Board appraises all significant new business opportunities as recommended by the Chief Executive.
- There has been significant investment in training and staff development to minimise control weaknesses through error.
- The Audit & Risk Committee and the Board receive and review annually a report from the Chief Executive on the effectiveness of the system of internal controls.

The Board confirms there are no significant problems in relation to failures in internal controls that warrant disclosure in the financial statements.

## **TOWN AND COUNTRY HOUSING GROUP**

### **Year ended 31 March 2020**

#### **STATEMENT OF COMPLIANCE WITH GOVERNANCE AND FINANCIAL VIABILITY STANDARD**

The Board undertakes an annual assessment of TCH's compliance with the Regulator of Social Housing's Governance and Financial Viability Standard. Apart from exceeding TCH's rules on Board membership (as mentioned above – Governance page 5) the assessment confirms that TCH is compliant with the standard. The Regulator of Social Housing carried out an 'In-Depth Assessment' in March and April 2016, and an annual 'stability check' in December 2018.

The Audit & Risk Committee reviews compliance with regulation and law on a quarterly basis.

#### **STRATEGIC REPORT FOR THE YEAR TO 31 MARCH 2020**

##### **External influences and operating highlights**

The pandemic - Covid 19, began to impact TCH Group's operations in March 2020, further information is included in note 32.

2019/20 was the fourth and final year in which the Government's revised rent policy for registered providers applied. Announced by the Chancellor of the Exchequer in his July 2015 Budget, the policy was for rent cuts of 1% in cash terms in each of the four Aprils 2016-2019. This replaced the 10-year policy implemented with effect from April 2015 of CPI + 1% increases. The cumulative effect of this policy, and the various reductions to welfare benefits available to our tenants, will be felt throughout the 30 years of our business plan and beyond. The effect has been and will continue to be to reduce our capacity to provide additional social housing. In October 2017 the Government announced a return to CPI +1% rent increases for the five years from April 2020. This was re-affirmed with the publication in February 2019 of the new rent policy which applied from April 2020.

Despite the challenges of the welfare benefit reductions which are being progressively introduced, we have once again achieved a strong rent collection performance against our targets for the year. This results from our investment in the provision of support and advice to customers, as well as in enhancing our collection capability. We are not complacent, however, and recognise that we will need to continue to work hard to protect our income streams. This will apply particularly as Universal Credit affects more of our tenants. There is also much uncertainty over the effects on the economy from the pandemic – Covid 19, and how this may impact on our rent collection performance.

The year has been a successful one for TCH Group. The business has performed well both financially and operationally, with strong cash generation and key performance indicators being met.

We continue to prioritise investment in our assets with £11.4m (2019: £11.0m) spent on planned, responsive and programmed maintenance.

We completed 131 dwellings in the year as we continued to build the programme following a deliberate slowdown due to the more difficult environment caused by the rent cuts referred to above. The 'pipeline' of new schemes is strong. We started the construction of 321 dwellings during the year.

We continue to invest in technology and redesign our internal processes to improve employees' efficiency and effectiveness, whether working in an office, from home, or visiting our customers in their homes.

The Group highlights for the last five years are shown on the following page.

**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**STRATEGIC REPORT FOR THE YEAR TO 31 MARCH 2020 (continued)**

**External influences and operating highlights (continued)**

<b>Annual accounts summaries</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Statement of comprehensive income</b>					
<b>(£m)</b>					
Turnover	64.9	64.7	59.7	66.1	70.7
Income from social housing lettings	52.7	52.6	52.6	53.4	55.4
Operating surplus (before fixed asset sales)	26.4	26.0	26.8	30.5	30.2
Surplus on sales of fixed assets	4.0	4.0	6.5	4.9	3.5
(Deficit)/surplus on revaluation of investment properties	(6.1)	0.1	0.6	2.7	1.4
Interest payable	(14.6)	(14.1)	(16.3)	(9.8)	(18.3)
Loan fair value movement	(52.0)	-	-	-	-
(Deficit)/surplus for the year before tax	(42.3)	16.2	17.8	28.5	16.9
<b>Statement of financial position (£m)</b>					
Fixed assets	817.4	784.0	772.2	767.0	808.2
Net current assets	8.0	15.7	21.1	18.9	38.6
Loans due after more than one year	436.3	371.0	383.2	394.9	478.1
Revenue reserves	160.0	203.1	185.7	166.8	134.8
Revaluation reserve	203.4	203.4	203.4	203.4	206.2
<b>Key ratios</b>					
Interest cover	222%	239%	247%	215%	217%
Gearing	50%	48%	48%	50%	57%
Asset cover	171%	177%	168%	166%	158%
Average interest cost	4.26%	3.81%	3.64%	3.52%	3.82%
Gross operating margin	40.8%	40.3%	45.0%	46.2%	42.8%
Annual surplus/(deficit) margin (excl. loan fair value movement)	24.5%	25.3%	25.7%	21.6%	23.2%
Housing stock owned	9,029	8,962	8,920	8,930	9,176

Before a loan fair value movement and a revaluation of our investment properties we generated a surplus before tax of £15.8m which is £0.2m less than in 2019.

Our 2020 operating surplus and margin remained similar to 2019 despite the rents we charged reducing by 1% (the last year of a 4-year government rent policy). We also spent more maintaining our dwellings.

# TOWN AND COUNTRY HOUSING GROUP

## Year ended 31 March 2020

### STRATEGIC REPORT FOR THE YEAR TO 31 MARCH 2020 (continued)

#### External influences and operating highlights – Annual Accounts summaries (continued)

As part of merging with Peabody most of our loans were transferred to them and replaced with an inter-company loan. The inter-company loan is held at “fair value” instead of the transaction value. This led to a £52m fair value movement. This is a non-cash adjustment and is reversed when our results are consolidated with Peabody’s at a Group level. Accounting reporting standards require us to recognise the inter-company loan at a “fair value”. The “fair value” is its value if you adjusted the price of the debt so that a buyer would be earning the market rate of interest. Our treasury advisors calculated the “fair value” using the market rates at the date of the new loan. Our interest costs (£’s and average %) increased marginally as part of the loan restructuring.

The £6.1m reduction in the value of our investment properties (2019: an increase of £0.1m) was due to using a net rental valuation basis instead of an open market sale valuation. The adjustment is a non-cash movement in value and was undertaken to be consistent with Peabody’s valuation basis.

#### Development

TCH continues to provide social housing in a number of areas in the South East (Kent, Sussex and Surrey) and offers a range of housing products: affordable housing, shared ownership, supported housing, market and sub-market rents.

During the year, TCH completed 105 new affordable/social rented, shared ownership homes and received £2.1m of grant funding from Homes England. Monson Homes completed 26 new homes for sale.

#### Objectives and strategy

As part of joining Peabody Group in May 2019 as an operating subsidiary we have developed a revised strategic plan for 2019-2021. The short life of this strategy is to allow:

- The integration with Peabody Group of some central services.
- The alignment, bedding in and testing of new systems, policies and processes.
- The gearing up of the development programme.
- The planned major operational service redesign.
- The important focus on our customers, our people, our culture and delivering ‘business as usual’ in times of change.

The strategic plan has the following key objectives

##### *Deliver an alignment plan within the new Group in year one*

- Invest in improvements to IT infrastructure and security.
- Integrate ICT, HR and Communications ‘back office’ functions.
- Deliver the programme of strategy and policy alignment and as appropriate embed changes to reporting and business processes.
- Develop plans for the alignment of property, housing management and CRM systems in 2021 and beyond.

##### *Continue to be an efficient, effective and viable business.*

- Maximise our financial capacity as a member of the Peabody Group and operate within the Group business plan parameters.
- Focus our spend priorities towards growth and maintain our financial strength.
- Continue to monitor the roll out of the welfare benefit changes and manage the impact on revenues and our customers.
- Continue to focus on efficiency and value for money.

# **TOWN AND COUNTRY HOUSING GROUP**

## **Year ended 31 March 2020**

### **STRATEGIC REPORT FOR THE YEAR TO 31 MARCH 2020 (continued)**

#### **Objectives and strategy (continued)**

##### *Build and maintain the best quality homes and neighbourhoods.*

- Gear up the development programme to achieve 800 new homes starts per year from 2021.
- Target an appropriate mix of scheme size and new homes tenure to maximise our capacity.
- Design and build quality new homes that people are proud to live in, reflecting local need and demographics.
- Ensure we continue to deliver some smaller rural schemes that maximise local impact.
- Deliver 'active asset management' by disposing of low performing assets to invest in new homes.
- Invest in and maintain our homes so that they are decent, safe and warm.

##### *Be an excellent landlord, proud of the services we deliver.*

- Deliver high quality, reliable and modern services that reflect customer need.
- Keep our customers safe, ensuring all statutory Health and Safety and compliance issues are effectively managed.
- Deliver a responsive maintenance service that balances high customer satisfaction with cost efficiency in delivery.
- Ensure our customers can engage with us in the most effective and appropriate way.
- Utilise technology to assist in redesigning our service offer to achieve 'digital by default'.
- Support those tenants who are not able to manage their tenancies on line.

##### *Support those most vulnerable in our homes and in society.*

- Supporting dependence to independence giving appropriate support.
- Identifying offers to support those most disadvantaged by the changes in the welfare benefit system.
- Maximise the number of new homes that are genuinely 'affordable'.
- Develop solutions to support those that are homeless.
- Focus on key themes to support tenancy sustainment of access to learning, skills and employment opportunities, health and wellbeing advice, money and financial inclusion advice.

##### *Provide excellent governance and leadership during times of change.*

- Complete a review of the new governance structures eighteen months post-merger to ensure they are fit for purpose.
- Provide a package of appropriate local support measures for staff during transition.
- Implement Peabody Group's learning and development programme to support staff.
- Complete the refurbishment of our offices at Monson house to provide high quality, flexible working environment.

##### *Increase our influence on the local agenda.*

- Prepare for a major intervention at our Showfields Estate in Tunbridge Wells, including planning for need with residents.
- Utilise our new brand to extend relationships and play a greater role in influencing the regional agenda.
- Advocate genuinely affordable homes for social rent and availability of shared ownership, particularly in high value areas.
- Promote our achievements and innovation to our stakeholders and partners through multimedia channels.



## TOWN AND COUNTRY HOUSING GROUP

### Year ended 31 March 2020

#### STRATEGIC REPORT FOR THE YEAR TO 31 MARCH 2020 (continued)

##### Objectives and strategy (continued)

We have set measurable targets against each of these objectives. We ensure that the ‘golden thread’ of strategy flows from the strategic plan, through the Annual Delivery Plans into Team Plans and individual targets.

Our progress towards our strategic objectives in 2019/20 is as follows:

##### *Efficiency and viability:*

While our annual surplus and operating margin in 2020 was in line with 2019 we did not achieve our 2020 business plan operating margin. This was due to delayed private dwelling sales where we budgeted for sales in the last quarter of 2020 with completions now forecast in 2020/21. Additionally, our maintenance costs were higher than budget. Our rent collection performance was 99.9% versus our target of 100% despite more of our tenants moving to Universal Credit. Our two over-arching Value for Money priorities for 2019/20 were:

- to quickly transition from an independent Registered Provider to an operating subsidiary of Peabody Group so that we could benefit from procurement efficiencies.
- To complete the last stages of our digital transformation project alongside re-designing our service offering.

Further information is included under “Value for Money” on page 15.

##### *Growth and asset investment:*

We achieved 321 new starts on construction projects during the year versus a target of 461. At the end of February 2020, we were 18 dwellings behind the target. New starts in March were affected by Covid-19. Further work was carried out to improve the Return on Assets, including the planned sale of 18 dwellings where future maintenance costs are excessive. We have continued our programme to deliver a range of heating and insulation improvements to 77 dwellings to raise their SAP rating to above 50.

##### *Customers – keeping residents at the heart of our business:*

In 2020 our customer satisfaction with our overall services was 51.1%. We introduced a new 5-point scale of capturing satisfaction with the third point on the scale being neither satisfied nor dissatisfied. 18% of respondents were in this category and they are counted as dissatisfied in the overall score. Our 2019 satisfaction level under the previous measurement method was 84.0% and work is ongoing to improve satisfaction alongside improving the quality and quantity of customer feedback. Satisfaction with our responsive repairs service declined to 78.9% versus 91.3% in 2019, the methodology also changed as mentioned above. During the year a backlog of more complex repair jobs built up and it took longer than we anticipated to improve repair waiting times. We paused non-emergency repairs during the early phase of the Pandemic – Covid 19 lockdown and this has added to repair waiting times at the start of 2020/21. We continue to receive excellent reports from our Resident Scrutiny Panel, and we have acted on 96% of their recommendations, providing a full explanation to them where we decide not to.

##### *Support – for the most vulnerable in our homes:*

We have made available a comprehensive range of support services to residents through our partnership with the voluntary community sectors (VCS) or direct in the form of money support. In 2020 we established a new team who focus on Tenancy Sustainment and this is an area that is likely to grow and become integral to the way housing services are delivered in the future.

We involved 242 volunteers with our wider community investment through engaging with VCS organisations linked to TCH Group. The employment programmes resulted in new employment for 52 residents, additionally 311 residents gained new skills. These included digital, conversational English and life skills.

# **TOWN AND COUNTRY HOUSING GROUP**

## **Year ended 31 March 2020**

### **STRATEGIC REPORT FOR THE YEAR TO 31 MARCH 2020 (continued)**

#### **Objectives and strategy – progress towards our strategic objectives in 2020 (continued)**

*Support – for the most vulnerable in our homes (continued):*

Over 400 residents registered with The futURe store in its first full year of operation. The futURe store is located within the Tunbridge Wells Royal Victoria Place shopping centre and provides the following services:

- 1-2-1 support
- Training courses
- Searching and help with enrolling on training courses
- Job searching
- C.V. preparation
- Lunchtime talks in store by local employers
- Self-employment enterprise support and networking
- Support for young people (15-24 years)
- Signposting to other support services

#### **Risk and uncertainty**

TCH Group has adopted Peabody Group's risk appetite when considering our long-term financial plan, budget and forecasts. The main risks that may prevent TCH Group from achieving its objectives are considered and reviewed regularly by the TCH Executive Management Team, Audit & Risk Committee and the Board. Our strategic risks / subsidiary risks are also reviewed by Peabody's Executive Management Team, Audit & Risk Committee and the Peabody Board as part of a wider review of the entire group. The risks are recorded and assessed in terms of their impact and likelihood. Major risks, presenting the greatest threats to the Group, are reported to the Board half-yearly and the Audit & Risk Committee four times a year. These reports include an assessment of key controls used to manage and mitigate the risks, and any further work required, with timescales and persons responsible. The major risks are organised within nine overarching themes as follows:

- Financial
- Governance failure
- People management
- Resident expectations
- Partnership risk and strategic contractors
- Legislative and regulatory
- External events
- Information and communication technology

The two risks which we have identified as being the most significant are Pandemic (Covid-19) and Brexit.

*Pandemic (Covid -19)* - We suspended all but non-essential services at the on-set of lockdown and virtually all of our staff worked from home where they could do so. All of our services have re-started with the guidelines issued by Public Health England. During lockdown we made 3,500 welfare telephone calls to support our residents through the crisis. The immediate, medium, and long-term economic effects on unemployment, inflation, interest rates and the housing market all have the potential to affect our plans for 2020/21 and future years and are being closely monitored.

*Brexit* – potential risks include the effects on our supply chain, the housing market, interest rates, and inflation.

#### **Financial position**

#### **Accounting policies**

The Group's principal accounting policies are set out on pages 26 to 33 of the financial statements.



# **TOWN AND COUNTRY HOUSING GROUP**

## **Year ended 31 March 2020**

### **STRATEGIC REPORT FOR THE YEAR TO 31 MARCH 2020 (continued)**

#### **Housing properties**

The total value (deemed/historic cost) of the Group's completed housing stock at 31 March 2020 was £750m with an additional sum of £46m, attributable to properties under construction, giving a total housing stock figure of £796m (2019: £758m).

Group investment in housing properties was funded through a mix of loan finance, an inter-company loan, working capital and Social Housing Grant.

#### **Pension liability**

The pension deficit at 31 March 2020 is £5.3m (2019: £4.3m), an increase of £1.0m on the previous year's deficit. This is principally due to a reduction in the value of TCH's share of the pension fund's assets (decline in the value of equities).

#### **TCH Group borrowings and treasury policy**

TCH Group has £481m (2019: £457m) of borrowing facilities from an inter-company loan, a bond and a bank loan.

As part of the merger with Peabody, £246m of loans with Nationwide Building Society, Barclays and MUFG were transferred to Peabody. These were replaced with an inter-company loan including an additional revolving facility from the parent of £40m. TCH has retained a £46m loan with Coop bank.

In accordance with financial reporting standards the inter-company loan and the remaining Coop loan were fair-valued at 7 May 2019 and 20 March 2020. Their fair value was £84m higher than the transaction/nominal value (2019: £32m higher). This led to a non-cash fair value interest cost for the year of £52m (2019: £nil). This was mainly due to having to fair value the Nationwide loan (within the new inter-co loan) and the Coop loan for the first time. Previously there was no requirement to do so as they had not been subject to a material modification and are classified as "basic" financial instruments.

TCH Group raised £80m (2019: £80m) through a bond issued by TCHG Capital PLC in 2014.

At 31 March 2020 TCH Group had loans and bond drawn of £371m (2019: £352m). This left £110m available to be drawn by TCH for future developments and regeneration activities.

The average interest rate for the year was 4.26% (2019: 3.81%), the increase reflects higher margins negotiated as part of the loan re-structuring.

TCH Group finances its operations through a mixture of retained surplus and debt. TCH Group borrows at both fixed and floating rates of interest. It does not borrow in foreign currencies. At 31 March 2020, 76.3% (2019: 80.5%) of TCH Group's net borrowings were at fixed rates.

#### **Liquidity risk**

Liquidity risk is the risk that TCH Group might not be able to meet its financial obligations. Through setting a prudent budget and long-term cash flow forecasting we ensure that we always have sufficient undrawn funds to meet its future commitments.

The current availability of funds referred to above exceeds future commitments. As a subsidiary of Peabody, the Group can access additional funds at short notice (under 3 months).

#### **Credit rating**

S&P undertook a review following the merger with Peabody. TCH Group's rating from S&P Global Ratings (S&P) was downgraded from A+ to A in 22 May 2019, the stable outlook was maintained. The downgrade reflected Peabody's rating which is lower than TCH's due to exposure to property sales risks.

# TOWN AND COUNTRY HOUSING GROUP

## Year ended 31 March 2020

### STRATEGIC REPORT FOR THE YEAR TO 31 MARCH 2020 (continued)

#### Material estimates

In preparing the financial statements, the TCH Group has made a number of estimates and judgements. The significant estimates and judgements are set out in note 3.

#### Cash flow

Cash inflow and outflow during the year is shown in the consolidated statement of cash flows on page 25. The cash flow highlights the strong net operational inflows from which the interest cost is paid, with the balance being invested in development and capital maintenance programmes.

#### Value for Money

##### Introduction

Improving value for money has remained a priority for the TCH Group, and good progress has been made in achieving the objectives set out in our Value for Money Strategy 2018-2021, including using new technology to deliver efficiencies and delivering social and environmental value by providing good-quality homes and services.

Our overall approach to value for money is set out in our Value for Money Strategy which is owned by the TCH Board and shows the objectives we are aiming to achieve by 2021. The definition of value for money we have agreed is:

“To produce as much social, financial and environmental value as possible from the resources we use in order to deliver quality homes and services, in neighbourhoods people choose, with the ultimate goal of improving lives.”

Our approach to making decisions on efficiencies and the use of resources continues to be robust and driven by the Board. The key elements are:

- The **Corporate Strategy**, which sets out our mission, vision and overall objectives.
- The **Value for Money Strategy**, which contains the value for money objectives, targets and specific actions that will be taken to improve value for money.
- The **30-year Business Plan**, which shows our overall financial plans for the organisation in order to achieve the objectives, including income and expenditure, balance sheets and cashflows.
- **Annual budgets**, which are agreed by the Board in order to achieve the position set out in the business plan.
- **The Annual Delivery Plan**, which sets out the specific actions that will be taken during the year to help deliver our objectives and to deliver efficiencies.
- **Team Plans and individual objectives**, which translate the high-level actions contained in the Annual Delivery Plan into operational actions.

#### Our value for money performance

Most of our value for money efficiency gains have been delivered through procurement. Joining Peabody Group provides opportunities for further procurement savings and other efficiencies through economies of scale. 2019/20 has been a year of transition from being an independent Registered Provider to an operating subsidiary. Our Value for Money targets for 2020/21 includes the commencement of leveraging procurement efficiencies from joining a large Group.

Our “Digital by Default” programme incorporating re-designing our service offering completed at the end of 2019/20. We anticipated staff cost savings from the new operating model of £250k per annum and we budgeted this saving for 2020/21. We also budgeted an equivalent restructuring / recruitment / temporary staff cost for 2020/21, to transition to the new way of working. We completed the staff consultation process in March 2020, and were set to launch our new operating model from the 1 April. The pandemic crisis necessitated a pause to the programme, and it will now re-commence in March 2021.

# TOWN AND COUNTRY HOUSING GROUP

## Year ended 31 March 2020

### STRATEGIC REPORT FOR THE YEAR TO 31 MARCH 2020 (continued)

#### Our value for money performance (continued)

#### Procurement efficiency targets for 2020/21

	£000's
Telephony	49
Printing/ photocopying	25
Legionella testing and improvement works	45
Total	119

#### Regulator of Social Housing – Value for Money metrics

In April 2018 the Regulator of Social Housing published seven metrics to measure economy, efficiency and effectiveness on a comparable basis across the sector. Our performance is set out in the table below.

Value for Money metrics	2017/18	2018/19	2019/20	Target for 2019/20	Target for 2020/21	Peer # Average 2018/19
1 – Reinvestment % (Investment in properties as a % of total properties held)	2.1%	3.4%	6.4%	6.6%	7.9%	5.8%
2A – New supply delivered (social housing units) (Social housing units developed as a % of social housing units owned)	0.5%	1.1%	1.2%	1.1%	3.6%	2.0%
2B – New supply delivered (non-social housing units) (Non-social housing units developed as a % of total housing units owned)	0.0%	0.4%	0.3%	0.3%	0.3%	0.0%
3 – Gearing % (Loans less cash as a % of the value of housing properties – different definition to loan covenant calculation used for table on page 8) and includes fair value adjustments.	49.1%	47.7%	55.9%	51.7%	50.5%	40.9%
4 – EBITDA MRI interest cover % (Surplus adjusted for depreciation and adding major repairs, as a % of interest payable)	175.3%	191.0%	182.1%	181.9%	181.8%	158.7%
5 – Headline social housing cost per unit (Social housing costs excluding depreciation and bad debts divided by social housing units owned)	£3,031	£3,180	£3,272	£3,203	£3,412	£3,493
6A – Operating margin (social housing lettings) (Operating surplus (social housing lettings) as a % of turnover from social housing lettings)	45.6%	43.2%	43.1%	43.8%	42.3%	32.7%
6B – Operating margin overall (Operating surplus as a % of turnover)	45.0%	40.3%	40.8%	39.1%	35.4%	29.4%
7 – Return on capital employed (ROCE) % (Operating surplus as a % of total assets less current liabilities)	4.2%	3.8%	3.7%	3.6%	3.3%	3.2%

# Our peer-group is registered providers of social housing in south east England.

# **TOWN AND COUNTRY HOUSING GROUP**

## **Year ended 31 March 2020**

### **STRATEGIC REPORT FOR THE YEAR TO 31 MARCH 2020 (continued)**

#### **Regulator of Social Housing – Value for Money metrics (continued)**

TCH Group has historically maximised the delivery of new units and would have scored amongst the highest on metrics one and two during the Affordable Housing Programme 2011 to 2015. This did mean that our debt relative to the value of our housing stock (metric three – gearing) was higher than many of our peers. When the Government announced cash-terms rent reductions for the four Aprils 2016 to 2019, it was necessary for us to pause our development programme. The Board committed to increase the development programme having achieved cost savings and the merger with Peabody has enabled us to further increase new supply.

The return on capital employed for metric seven is generally low for the whole sector, due to the sub market, regulated rents charged. This reflects our charitable social purpose.

#### **Going concern**

The Board has reviewed the approved 2019/20 budget and the 30-year Business Plan.

The impact of the pandemic – Covid 19 creates uncertainty over our rent collection, property sales income, responsive and void repair costs, and our property development programme. The Board has received regular re-forecasts and trading updates. This includes our loan covenant requirements showing continued compliance.

The Board has a reasonable expectation that the TCH Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

#### **Equal opportunities**

The Group ensures that in all of its activities it does not allow unlawful discrimination. It also promotes equality of opportunity and treatment for all sections of the community. In particular, the Group recognises its responsibility to persons with special needs and has set standards, within its development and housing management programmes and employment policies to ensure that such needs can be readily met.

#### **Health and safety**

The Chief Executive provides an annual health and safety report to the Group's Board and an update at each meeting. The health and safety of the Group's employees and residents is paramount to the Board. The Group's policy is to provide and maintain safe and healthy working conditions, housing, equipment and systems of work for all those connected with the organisation and to provide such information, training and supervision as is needed for this purpose. There have been no material health and safety breaches in the year.

#### **Subsequent events**

The pandemic - Covid-19 began to impact TCH Group's operations from March 2020, further details are provided in note 31.

Local Government Pension Scheme - The Ministry of Housing Communities and Local Government (MHCLG) has launched a consultation on how to address the age discrimination case which has arisen on public sector pensions (the McCloud judgement). Further details are provided in note 24.

**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**STRATEGIC REPORT FOR THE YEAR TO 31 MARCH 2020 (continued)**

**Statement of compliance**

In preparing this strategic report, the Board has followed the principles as set out in the Housing SORP 2018: Statement of Recommended Practice for registered social housing providers.

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink that reads "Francis Salway". The signature is written in a cursive, slightly informal style.

Francis Salway  
Chair  
16 July 2020

# **TOWN AND COUNTRY HOUSING GROUP**

## **Year ended 31 March 2020**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOWN AND COUNTRY HOUSING GROUP**

#### **Opinion**

We have audited the financial statements of Town and Country Housing ("the association") for the year ended 31 March 2020 which comprise the Consolidated and Company Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Changes in Equity and Reserves, Consolidated Statement of Cash Flows, and related notes, including the accounting policies in note 2.

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 association as at 31 March 2020 and of the income and expenditure of the group and the 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 association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### **Going concern**

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the association or to cease their operations, and as they have concluded that the group and the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over 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 business model and analysed how those risks might affect the group and 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 association will continue in operation.

#### **Other information**

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

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

## **TOWN AND COUNTRY HOUSING GROUP**

### **Year ended 31 March 2020**

#### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOWN AND COUNTRY HOUSING GROUP**

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

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

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

We have nothing to report in these respects.

##### **Board's responsibilities**

As more fully explained in their statement set out on page 5, 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 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 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](http://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.



Victoria Sewell  
for and on behalf of KPMG LLP, Statutory Auditor

##### **Chartered Accountants**

15 Canada Square  
London E14 5GL  
United Kingdom  
29 July 2020



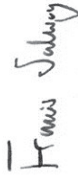
**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**CONSOLIDATED AND COMPANY STATEMENT OF COMPREHENSIVE INCOME (INCOME AND EXPENDITURE ACCOUNT)**

	Note	TCH Group 2020 £'000	TCH Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Turnover	4	64,884	64,686	58,813	58,506
Cost of sales	4	(7,492)	(7,619)	(2,433)	(2,395)
Operating expenditure	4	(30,948)	(31,023)	(31,456)	(31,842)
<b>Operating surplus before gain on disposal of property</b>		<b>26,444</b>	<b>26,044</b>	<b>24,924</b>	<b>24,269</b>
Gain on disposal of property	5	3,997	4,016	3,997	4,016
<b>Operating surplus</b>		<b>30,441</b>	<b>30,060</b>	<b>28,921</b>	<b>28,285</b>
Interest receivable	6	21	80	805	855
Interest and financing costs	7	(66,638)	(14,088)	(66,893)	(14,305)
(Loss)/gain on revaluation of investment properties	12	(6,119)	130	(6,119)	130
<b>(Deficit)/surplus before tax</b>		<b>(42,295)</b>	<b>16,182</b>	<b>(43,286)</b>	<b>14,965</b>
Tax	10	(13)	(231)	(83)	(58)
<b>(Deficit)/surplus for the year</b>		<b>(42,308)</b>	<b>15,951</b>	<b>(43,369)</b>	<b>14,907</b>
Actuarial (loss)/gain in respect of pension schemes	8	(827)	1,544	(827)	1,544
<b>Total comprehensive income for the year</b>	25	<b>(43,135)</b>	<b>17,495</b>	<b>(44,196)</b>	<b>16,451</b>
<b>(Deficit)/surplus for the year attributable to:</b>					
Non-controlling interest		(8)	93	-	-
The parent company		(42,300)	15,858	(43,369)	14,907
		(42,308)	15,951	(43,369)	14,907
<b>Total comprehensive income for the year attributable to:</b>					
Non-controlling interest		(8)	93	-	-
The parent company		(43,127)	17,402	(44,196)	16,451
		(43,135)	17,495	(44,196)	16,451

All amounts relate to continuing activities.

The accompanying notes 1 to 32 form part of these financial statements.

  
Francis Salway

Chair



Chris Starke  
Board Member



Bob Heapy  
Chief Executive and Company Secretary



**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)**

	Note	TCH Group	TCH Group	Company	Company
		2020	2019	2020	2019
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Housing properties	11	796,204	758,497	796,863	758,659
Investment properties	12	17,011	23,130	17,011	23,130
Other property, plant and equipment	13	3,874	1,983	3,874	1,983
Intangible assets	14	324	413	268	326
Fixed asset investment	15	20	20	25,122	3,122
		817,433	784,043	843,138	787,220
<b>Current assets</b>					
Properties for sale	16	29,069	15,364	10,382	2,757
Debtors	17	3,476	3,025	3,527	15,113
Cash at bank and in hand		9,868	21,859	4,165	6,589
		42,413	40,248	18,074	24,459
<b>Creditors: amounts falling due within one year</b>	18	(34,401)	(24,482)	(35,682)	(23,022)
<b>Net current assets</b>		8,012	15,766	(17,608)	1,437
<b>Total assets less current liabilities</b>		825,445	799,809	825,530	788,657
<b>Creditors: amounts falling due after more than one year</b>	19	(456,588)	(388,756)	(455,893)	(375,844)
Defined benefit pension liability	24	(5,277)	(4,257)	(5,277)	(4,257)
<b>Net assets</b>		363,580	406,796	364,360	408,556
<b>Capital and reserves</b>					
Revenue reserve		159,954	203,081	177,688	221,884
Revaluation reserve		203,355	203,355	186,672	186,672
Non-controlling interest		271	360	-	-
<b>Capital and reserves</b>		363,580	406,796	364,360	408,556

The accompanying notes 1 to 32 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board and signed on its behalf on 16 July 2020 by:

*Francis Salway*

Francis Salway  
Chair

*Chris Starke*

Chris Starke  
Board Member

*Bob Heapy*

Bob Heapy  
Chief Executive and Company Secretary

**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY AND RESERVES**

	Revenue reserve	Revaluation reserve	Non- controlling interest	Total
	£'000	£'000	£'000	£'000
<b>TCH Group</b>				
<b>At 1 April 2019</b>	203,081	203,355	360	406,796
(Deficit)/surplus for the year	(42,300)	-	-	(42,300)
Surplus attributable to non-controlling interest	-	-	(89)	(89)
Actuarial gain in respect of pension schemes	(827)	-	-	(827)
<b>At 31 March 2020</b>	<b>159,954</b>	<b>203,355</b>	<b>271</b>	<b>363,580</b>
<b>Company</b>				
<b>At 1 April 2019</b>	221,884	186,672	-	408,556
(Deficit)/surplus for the year	(43,369)	-	-	(43,369)
Actuarial gain in respect of pension schemes	(827)	-	-	(827)
<b>At 31 March 2020</b>	<b>177,688</b>	<b>186,672</b>	<b>-</b>	<b>364,360</b>
<b>TCH Group</b>				
<b>At 1 April 2018</b>	185,679	203,355	267	389,301
Surplus for the year	15,858	-	-	15,858
Surplus and dividends attributable to non-controlling interest	-	-	93	93
Actuarial gain in respect of pension schemes	1,544	-	-	1,544
<b>At 31 March 2019</b>	<b>203,081</b>	<b>203,355</b>	<b>360</b>	<b>406,796</b>
<b>Company</b>				
<b>At 1 April 2018</b>	205,433	186,672	-	392,105
Surplus for the year	14,907	-	-	14,907
Actuarial gain in respect of pension schemes	1,544	-	-	1,544
<b>At 31 March 2019</b>	<b>221,884</b>	<b>186,672</b>	<b>-</b>	<b>408,556</b>

**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**TCH Group**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Deficit/(surplus) for the year before tax</b>	(42,295)	16,182
<b>Adjustment for non-cash items:</b>		
Cost of housing property disposals	3,337	5,635
Depreciation and amortisation of fixed assets	5,335	6,353
Deficit/(gain) on revaluation of investment properties	6,119	(130)
Difference between pension charge and cash contributions	-	85
<b>Adjustments for investing or financing activities:</b>		
Interest payable	66,639	14,087
Interest receivable	(23)	(80)
<b>Adjustments for working capital movements:</b>		
(Increase) in properties for sale	(13,700)	(3,248)
(Increase)/decrease in debtors	(452)	4,917
Increase in creditors	6,645	3,344
<b>Net cash generated from operating activities</b>	<b>31,605</b>	<b>47,145</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets - housing properties	(49,447)	(25,249)
Purchase of fixed assets - other	(241)	(266)
Grants received	2,140	1,549
<b>Net cash flows from investing activities</b>	<b>(47,548)</b>	<b>(23,966)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(15,504)	(13,918)
Interest received	23	80
New loans	251,170	-
Repayment of borrowings	(231,737)	-
Taxation	-	33
<b>Net cash flows from financing activities</b>	<b>3,952</b>	<b>(13,805)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(11,991)</b>	<b>9,374</b>
Cash and cash equivalents at beginning of year	21,859	12,485
<b>Cash and cash equivalents at end of year</b>	<b>9,868</b>	<b>21,859</b>

**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

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# TOWN AND COUNTRY HOUSING GROUP

## Year ended 31 March 2020

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. Legal status

Town and Country Housing Group consists of:

- Town and Country Housing (TCH) which is a registered provider of social housing (RP). TCH is a wholly owned subsidiary of Peabody Trust. TCH is registered with the Regulator of Social Housing (RSH) and with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014.
- Monson Homes Limited, a wholly owned commercial subsidiary.
- TCHG Capital PLC, a special-purpose funding vehicle.
- Countrywise Repairs Limited, a 51%-owned commercial maintenance company.
- TCHG Living Limited (dormant), registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014.

#### 2. Accounting policies

##### General information and basis of accounting

These financial statements are prepared in accordance with Financial Reporting Standard 102 – the applicable financial reporting standard in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice: Accounting 2018 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

##### Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and investment property.

##### Going concern

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

The Group prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in June 2020 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board has also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure. Following the outbreak of Covid-19 the Group has undertaken a series of further scenario testing including severe but plausible downsides in the worst-case assessment.

The board, after reviewing the Group and Association budgets for 2020/21 and the Group's medium term financial position as detailed in the 30-year business plan, including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue to meet their liabilities over the period of 12 months from the date of approval of the financial statements (the going concern assessment period). In order to reach this conclusion, the Board has considered the following factors:

- The property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of property sales, reductions in sales values and potential conversion of market sale to homes for rent;
- Maintenance costs – budget and business plan scenarios have been modelled to take account of cost increases and delays in maintenance expenditure, with major works being phased into future years;

# TOWN AND COUNTRY HOUSING GROUP

## Year ended 31 March 2020

### NOTES TO THE FINANCIAL STATEMENTS

#### 2. Accounting policies - General information and basis of accounting – *Going concern* (continued)

- Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential future reductions in rents;
- Liquidity – current available cash and unutilised loan facilities of £95m which gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;
- The group's ability to withstand other adverse scenarios such as higher interest rates and increases in the number of void properties.

The board believe the Group and association have sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

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

In preparing the financial statements for TCH Group, advantage has been taken of the FRS 102 disclosure exemption of not preparing a statement of cash flows for the parent Company.

#### **Basis of consolidation**

The TCH Group financial statements consolidate the financial statements of TCH and all its subsidiaries at 31 March 2020 using the purchase method (acquisition accounting). Any non-controlling interest is shown in the statement of comprehensive income and the statement of financial position based on TCH Group's share of net assets and surpluses for the year. Intra-group transactions are eliminated on consolidation.

#### **Turnover**

Income is measured at the fair value of the consideration received or receivable.

TCH Group generates the following material income streams:

- Rental and service charge income
- First tranche sales of shared ownership properties
- Income from properties built for sale
- Amortisation of government grants

Rental income is recognised from the point when the properties under development reach practical completion and are let to tenants. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Revenue grants are recognised when the conditions for receipt of grant funding have been met.

#### **Other income**

Other income is measured at the fair value of the consideration received or receivable.

#### **Investment properties**

The classification of properties as investment property or property, plant and equipment are based upon the intended use of the property. Properties held to earn commercial rentals or for capital appreciation or both are classified as investment properties. Properties that are used for administrative purposes or that are held for the provision of social housing are treated as property, plant and equipment. Mixed-use property is split between investment property and property, plant and equipment.

Investment properties are measured at fair value annually with any change recognised in surplus or deficit in the statement of comprehensive income.

# TOWN AND COUNTRY HOUSING GROUP

## Year ended 31 March 2020

### NOTES TO THE FINANCIAL STATEMENTS

#### 2. Accounting policies (continued)

##### Housing properties

Housing properties are split between the land and the structure and those major components which require periodic replacement. Replacement of components is capitalised and depreciated over the estimated useful life, which has been set considering professional advice, TCH Group's asset management strategy and the requirements of the Decent Homes Standard.

TCH Group changed its accounting policy from recording housing properties at valuation to being at historic cost during the transition to FRS102 at 1 April 2014. TCH Group took the transition option to measure its completed housing properties at fair value and use that fair value as the deemed cost of those assets at the transition date of 1 April 2014.

Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of capital improvements, as well as directly incremental overhead costs and staff time associated with new developments, improvements and component works.

For mixed tenure schemes, costs are directly allocated to the tenure where this is appropriate, or they are allocated using an appropriate method (e.g. square metres of built units).

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful lives at the following annual rates:

Component	Useful life
Structure	100 years
Roof	25-50 years
Bathroom	30 years
Windows and doors	35 years
Kitchen	20 years
Heating system: boiler	15 years
Lift	25 years
Solar panels	25 years

Properties held on leases are amortised over the life of the lease or their estimated useful lives in the business, if shorter. Freehold land is not depreciated on the basis of its indefinite useful economic life.

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any residual amounts from replaced components are written off and charged as expenditure to the statement of comprehensive income. Any works to housing properties which do not replace a component or result in an incremental future benefit are charged as expenditure in the statement of comprehensive income.

Depreciation is not charged on shared ownership properties.

##### Leaseholders

Where the rights and obligations for improving a housing property reside with the leaseholder or tenant, any works to improve such properties incurred by TCH Group are recharged to the leaseholder and recognised in surplus or deficit in the statement of comprehensive income along with the corresponding income from the leaseholder or tenants.

##### Impairment of fixed assets – housing properties

TCH Group's housing properties are assessed for indicators of impairment at each reporting date. Where indicators are identified, then an assessment is undertaken to compare the carrying amount of assets or cash-generating units for which impairment is indicated to their recoverable amounts. An exercise is carried out to determine the option which produces the highest net realisable value.



# **TOWN AND COUNTRY HOUSING GROUP**

## **Year ended 31 March 2020**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **2. Accounting policies - Impairment of fixed assets – housing properties (continued)**

Valuations on rental return or potential sales proceeds are obtained to inform the options. TCH Group looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of the impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or the value in use of an asset or cash-generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash-generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use.

TCH Group defines cash-generating units as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash-generating units. Where the recoverable amount of an asset or cash-generating unit is lower than its carrying value, impairment is recorded through a charge to the statement of comprehensive income.

#### **Properties for outright sale**

Completed properties for outright sale and properties under construction are carried at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises material, direct labour, direct development overheads and capitalised interest.

#### **Shared ownership property sales**

Shared ownership properties, including those under construction, are split between non-current assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche disposal, which is shown on initial recognition as a current asset, with the remainder classified as a non-current asset within housing properties. Where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to the first tranche.

Proceeds from first tranche disposals (including Rent to HomeBuy properties that convert to shared ownership) are accounted for as turnover in the statement of comprehensive income of the period in which the disposal completes. The cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of property, plant and equipment.

#### **Social Housing Grant and other government grants**

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

Where grants are received for housing properties, once the property reaches practical completion, the grant is recognised in income evenly over the expected useful life of the property structure.

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

#### **Recycling of grants**

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the statement of financial position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the statement of financial position.

For shared ownership staircasing sales, when full staircasing has not taken place, the recycling of the grant may be deferred if the net sales proceeds are insufficient to meet the grant obligation relating to the disposal. On subsequent staircasing sales, the requirement to recycle the grant becomes an obligation if sufficient sales proceeds are generated to meet the obligation and a provision is recognised at this point.



# **TOWN AND COUNTRY HOUSING GROUP**

## **Year ended 31 March 2020**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **2. Accounting policies - Recycling of grants (continued)**

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the statement of financial position related to this asset is de-recognised as a liability and recognised as revenue in surplus or deficit in the statement of comprehensive income.

#### **Financial instruments**

Financial liabilities that are classified as “basic financing transactions” in accordance with FRS 102 are initially recorded at the present value of future payments discounted at a market rate of interest. These are then subsequently measured at amortised cost.

Section 11 of FRS 102 sets out requirements for financial instruments to be classified as either basic or other. All of TCH Group’s financial instruments are “basic”.

Financial instruments that are substantially modified are de-recognised and re-recognised at fair value. A substantial modification occurs when either FRS102’s qualitative characteristics are met, or the discounted cash flows of the modified instrument differ by 10% or more from the existing discounted cash flows. A financial liability is otherwise de-recognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Whenever the terms of a loan agreement are modified but the modification is not assessed as being substantial, TCH Group re-measures the financial instrument at the value of its discounted expected future cash flows after the modification. For variable rate loans, the discount applied is one that results in the carrying value remaining unchanged (after recognition of any transaction costs). For fixed rate loans, it is the original effective interest rate when the loan was first entered into.

#### **Financial assets**

Investments in UK gilts are initially and subsequently measured at fair value.

Other financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

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

A financial asset is de-recognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and rewards are transferred.

#### **Financial liabilities**

Financial liabilities are initially recorded at transaction price and then at the end of the reporting period they are measured at amortised cost using the effective interest rate method.

#### **Interest payable**

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate, and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period.

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development.

# TOWN AND COUNTRY HOUSING GROUP

## Year ended 31 March 2020

### NOTES TO THE FINANCIAL STATEMENTS

#### 2. Accounting policies Interest payable - (continued)

Arrangement fees and legal costs incurred in connection with loan facilities and bond finance are included in the transaction price of the facility and then recorded at amortised cost using the effective interest rate method.

#### Intangible assets

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

Computer software	5 years
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#### Other property, plant and equipment

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

Freehold offices	50 years
Solar panels	25 years
Computer equipment	3 years
Office equipment and fixtures	5 years

#### Leased assets

At inception, TCH Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

#### Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to surplus or deficit in the statement of comprehensive income on a straight-line basis over the period of the lease.

#### Investments

Investments that are publicly traded or whose fair value can be measured reliably are measured at fair value with changes in fair value recognised in surplus or deficit in the statement of comprehensive income. Other investments are measured at amortised cost less impairment.

#### Debtors and creditors

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

#### Recoverable amount of rental and other trade receivables

TCH Group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair, it reviews the age profile of the debt, historic collection rates and the class of debt.

#### Pensions

##### Local Government Pension Scheme

TCH contributes to the Kent County Council Superannuation Scheme, a defined benefit final salary scheme. The assets of the scheme are invested and managed independently of the finances of the TCH in respect of existing staff in the scheme.

# **TOWN AND COUNTRY HOUSING GROUP**

## **Year ended 31 March 2020**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **2. Accounting policies – Pensions (continued)**

Although this is a multi-employer scheme, it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme. For this scheme the amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the TCH, in separate Trustee-administered funds. Pension scheme assets are measured at fair value, and liabilities are measured on an actuarial basis using the projected unit credit method.

The actuarial valuations are obtained at least triennially and are updated at each statement of financial position date.

TCH closed membership of this scheme to new joiners during 2002/03.

#### **Defined contribution scheme**

The closure of the defined benefit final salary scheme to new joiners resulted in TCH entering into an arrangement with Aviva to provide those employees with a stakeholder pension scheme. This is a defined contribution scheme where the amount charged to surplus or deficit in the statement of comprehensive income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

#### **Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statement of financial position date. Timing differences are differences between TCH Group's taxable surpluses, and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable surpluses from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date that are expected to apply to the reversal of the timing difference.

#### **Service charge sinking funds and service costs**

Unutilised contributions to service charge sinking funds and over-recovery of service costs which are repayable to tenants or leaseholders or are intended to be reflected in reductions to future service charge contributions are recognised as a liability in the statement of financial position. The amount included in liabilities in respect of service charge sinking funds includes interest credited to the fund. Where there has been an under-recovery of leaseholders' or tenants' variable service charges and recovery of the outstanding balance is virtually certain, the balance is recognised in the statement of financial position as a trade receivable. Debit and credit balances on individual schemes are not aggregated as there is no right of set-off.

# TOWN AND COUNTRY HOUSING GROUP

## Year ended 31 March 2020

### NOTES TO THE FINANCIAL STATEMENTS

#### 2. Accounting policies (continued)

##### Reserves

###### *Revenue reserve*

The revenue reserve represents the accumulated results of TCH Group and Company.

###### *Revaluation reserve*

A revaluation reserve is created from surpluses from asset revaluations. The revaluation reserve does not include revaluations from Investment Properties.

##### Cash and cash equivalents

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

##### Value-added tax (VAT)

TCH Group charges VAT on some of its income and is able to recover part of the VAT (partial recovery) it incurs on expenditure. VAT is recognised as a cost to the extent that it is suffered by TCH Group and not recoverable from HM Revenue and Customs. Income is recorded net of VAT and expenditure is recorded with VAT included; any partial recovery of VAT is recorded in income.

The balance of VAT payable or recoverable at the year end is included as a current liability or current asset.

#### 3. Significant management judgements and key sources of estimation uncertainty

##### Significant management judgements and estimates

###### *Costs to complete on a development scheme and the expected sales value of the properties upon completion.*

There is judgement involved in assessing the cost to complete based on the anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, management then determine the recoverable amount of the properties developed for outright sale and/or land held for sale. This judgement is based on third party valuations for the estimated sales values based on economic conditions within the area of development and is re-assessed on a regular basis.

The impact of the pandemic – Covid 19 creates uncertainty over the future value of our property sales. Currently there is no material reduction in values being achieved although the sales volume is below pre Covid 19 the levels.

###### *Loan fair values*

There is judgement involved in assessing the fair value of loans. The principal judgement is the discount rate used and this is based on advice from treasury advisers.

##### Estimation uncertainty

TCH Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

###### *Defined benefit pension scheme*

TCH has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors (with advice from independent actuaries) in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. The defined benefit pension scheme liability at 31 March 2020 is £5,277k (2019: £4,257k).

**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

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

**Significant management judgements and estimates (continued)**

*Fixed assets housing properties – useful lives*

Housing property assets are broken down into components based on management's assessment of an appropriate proportion to apply. Individual useful lives are assigned to these components based upon a management assessment and after considering advice from independent surveyors. The carrying value of components is:

	<b>2020 £m</b>	<b>2019 £m</b>
Structure	353.5	353.5
Roof	21.2	20.7
Bathroom	7.0	6.8
Windows and doors	17.8	17.8
Kitchen	14.2	13.7
Heating system: boiler	12.0	11.9
Lift	1.6	1.5

## TOWN AND COUNTRY HOUSING GROUP

### Year ended 31 March 2020

#### NOTES TO THE FINANCIAL STATEMENTS

##### 4a. Operating segments

TCH Group and Company has determined its operating segments in accordance with IFRS8 as follows:

- Housing for rent
- Development of housing for sale
- Other activities

The Chief Operating Decision Maker (the Board) considers financial information for each of these.

Other activities includes community investment and solar panel income.

##### TCH Group

	2020		2019	
	Turnover	Operating surplus	Turnover	Operating surplus
	£'000	£'000	£'000	£'000
Housing for rent	54,150	23,572	827,191	23,489
Development of housing for sale	10,269	2,708	31,295	2,342
Other activities	465	164	1,360	213
	64,884	26,444	859,846	26,044
				824,293

##### Company

	2020		2019	
	Turnover	Operating surplus	Turnover	Operating surplus
	£'000	£'000	£'000	£'000
Housing for rent	54,277	23,598	823,930	23,255
Development of housing for sale	4,071	1,162	35,957	801
Other activities	465	164	1,325	213
	58,813	24,924	861,212	24,269
				811,681

**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**NOTES TO THE FINANCIAL STATEMENTS**

**4a. Turnover, cost of sales, operating expenditure and operating surplus**

	2020				2019			
	Turnover	Cost of sales	Operating expenditure	Operating surplus	Turnover	Cost of sales	Operating expenditure	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Social housing lettings (note 4b)</b>	<b>52,742</b>	<b>-</b>	<b>(29,948)</b>	<b>22,794</b>	<b>52,580</b>	<b>-</b>	<b>(29,855)</b>	<b>22,725</b>
<b>Other social housing activities</b>								
Current asset property sales	2,990	(2,433)	-	557	3,203	(2,395)	-	808
	55,732	(2,433)	(29,948)	23,351	55,783	(2,395)	(29,855)	23,533
<b>Activities other than social housing</b>								
Lettings	1,548	-	(630)	918	1,731	-	(827)	904
Development and property sales	7,279	(5,059)	(69)	2,151	6,851	(5,224)	(93)	1,534
Other	325	-	(301)	24	321	-	(248)	73
	64,884	(7,492)	(30,948)	26,444	64,686	(7,619)	(31,023)	26,044

**Company**

	2020				2019			
	Turnover	Cost of sales	Operating expenditure	Operating surplus	Turnover	Cost of sales	Operating expenditure	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Social housing lettings (note 4b)</b>	<b>52,745</b>	<b>-</b>	<b>(30,049)</b>	<b>22,696</b>	<b>52,580</b>	<b>-</b>	<b>(30,213)</b>	<b>22,367</b>
<b>Other social housing activities</b>								
Current asset property sales	2,990	(2,433)	-	557	3,203	(2,395)	-	808
Income from subsidiaries	124	-	-	124	124	-	-	124
	55,859	(2,433)	(30,049)	23,377	55,907	(2,395)	(30,213)	23,299
<b>Activities other than social housing</b>								
Lettings	1,548	-	(630)	918	1,731	-	(827)	904
Development and property sales	741	-	(476)	265	547	-	(554)	(7)
Gift aid	340	-	-	340	-	-	-	-
Other	325	-	(301)	24	321	-	(248)	73
	58,813	(2,433)	(31,456)	24,924	58,506	(2,395)	(31,842)	24,269

**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**NOTES TO THE FINANCIAL STATEMENTS**

**4b. Income and expenditure from social housing lettings**

TCH Group	General needs	Housing for older people	Intermediate	Low-cost home ownership	Total	Total
	2020 £'000	2020 £'000	2020 £'000	2020 £'000	2020 £'000	2019 £'000
<b>Income</b>						
Rents receivable	42,684	2,660	1,969	2,408	49,721	49,654
Service charge income	1,590	689	6	521	2,806	2,540
Amortised government grant	135	-	10	70	215	386
	44,409	3,349	1,985	2,999	52,742	52,580
<b>Expenditure</b>						
Management	8,347	739	211	490	9,787	9,277
Service charge costs	2,586	207	21	360	3,174	2,653
Routine maintenance	5,009	119	18	20	5,166	4,382
Planned maintenance	3,480	37	-	-	3,517	4,028
Major repairs	2,500	154	8	7	2,669	2,572
Bad debts	76	(19)	(1)	21	77	240
Depreciation of housing properties	6,308	258	254	(1,796)	5,024	5,930
Impairment of housing properties	-	-	-	-	0	388
Write-off of housing components replaced in the year	460	71	2	1	534	385
	28,766	1,566	513	(897)	29,948	29,855
	15,643	1,783	1,472	3,896	22,794	22,725
<b>Operating surplus</b>						
<b>Void losses</b>	378	87	55	32	552	585



**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**NOTES TO THE FINANCIAL STATEMENTS**

**4c. Income and expenditure from social housing lettings (continued)**

<b>Company</b>	<b>General needs</b>	<b>Housing for older people</b>	<b>Intermediate</b>	<b>Low-cost home ownership</b>	<b>Total</b>	<b>Total</b>
	<b>2019 £'000</b>	<b>2019 £'000</b>	<b>2019 £'000</b>	<b>2019 £'000</b>	<b>2019 £'000</b>	<b>2019 £'000</b>
<b>Income</b>						
Rents receivable	42,687	2,660	1,969	2,408	49,724	49,654
Service charge income	1,590	689	6	521	2,806	2,540
Amortised government grant	135	-	10	70	215	386
	<b>44,412</b>	<b>3,349</b>	<b>1,985</b>	<b>2,999</b>	<b>52,745</b>	<b>52,580</b>
<b>Expenditure</b>						
Management	8,347	739	211	490	9,787	9,276
Service charge costs	2,586	207	21	360	3,174	2,653
Routine maintenance	5,110	119	18	20	5,267	4,741
Planned maintenance	3,480	37	-	-	3,517	4,028
Major repairs	2,500	154	8	7	2,669	2,572
Bad debts	76	(19)	(1)	21	77	240
Depreciation of housing properties	6,308	258	254	(1,796)	5,024	5,930
Impairment of housing properties	-	-	-	-	0	388
Write-off of housing components replaced in the year	460	71	2	1	534	385
	<b>28,867</b>	<b>1,566</b>	<b>513</b>	<b>(897)</b>	<b>30,049</b>	<b>30,213</b>
	<b>15,545</b>	<b>1,783</b>	<b>1,472</b>	<b>3,896</b>	<b>22,696</b>	<b>22,367</b>
<b>Operating surplus</b>						
<b>Void losses</b>	<b>378</b>	<b>87</b>	<b>55</b>	<b>32</b>	<b>552</b>	<b>585</b>

**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**NOTES TO THE FINANCIAL STATEMENTS**

<b>5. Gain on disposal of property</b>	<b>TCH Group</b>	<b>TCH Group</b>	<b>Company</b>	<b>Company</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Disposal proceeds of fixed assets	7,335	9,652	7,335	9,652
Carrying value and costs to sell	(3,087)	(4,844)	(3,087)	(4,844)
	4,248	4,808	4,248	4,808
Transferred to recycled capital grant fund	(251)	(792)	(251)	(792)
	<b>3,997</b>	<b>4,016</b>	<b>3,997</b>	<b>4,016</b>

<b>6. Interest receivable - on loans, bank deposits, gilts and government liquidity funds</b>	<b>TCH Group</b>	<b>TCH Group</b>	<b>Company</b>	<b>Company</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank interest receivable	21	49	21	50
UK gilt interest receivable	-	31	-	-
Interest on loan to subsidiary	-	-	700	805
Dividends from fixed asset investments	-	-	84	-
	<b>21</b>	<b>80</b>	<b>805</b>	<b>855</b>

<b>7. Interest and financing costs - on loans, bank overdrafts and other loans</b>	<b>TCH Group</b>	<b>TCH Group</b>	<b>Company</b>	<b>Company</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
On bank loans, overdrafts and other loans	12,923	14,485	12,923	14,456
Movement in fair value of financial instruments	52,020	-	52,020	-
Interest payable to parent	2,814	-	2,814	-
Interest payable to subsidiary	-	-	7	-
	<b>67,758</b>	<b>14,485</b>	<b>67,764</b>	<b>14,456</b>
Interest on pension scheme net liability	101	139	101	139
Borrowing costs capitalised	(1,220)	(537)	(972)	(291)
	<b>66,638</b>	<b>14,087</b>	<b>66,893</b>	<b>14,304</b>

The interest rate used to capitalised borrowing costs is 3.82% (2019: 3.82%)

<b>8. Operating surplus is stated after charging</b>	<b>TCH Group</b>	<b>TCH Group</b>	<b>Company</b>	<b>Company</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Depreciation of housing properties	4,889	5,930	4,865	5,930
Amortisation of intangible assets	212	243	181	211
Depreciation of other property, plant and equipment	265	180	113	180
Write-off of housing components replaced in year	557	364	557	365
Operating lease rentals – plant and equipment	48	97	27	58
Auditor's remuneration (excl. VAT) - audit services	70	70	51	51
- other services	-	-	-	-

**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**NOTES TO THE FINANCIAL STATEMENTS**

**9. Employee information**

	<b>TCH Group 2020</b>	<b>TCH Group 2019</b>	<b>Company 2020</b>	<b>Company 2019</b>
Average number of full-time equivalent persons	194	195	140	139

The average number of full time equivalent persons (FTE's) is calculated by taking the average of the number of FTE's at the 1 April and at the 31 March.

<b>Staff costs (for above persons)</b>	<b>TCH Group 2020</b>	<b>TCH Group 2019</b>	<b>Company 2020</b>	<b>Company 2019</b>
Wages and salaries	7,227	6,884	5,592	5,204
Social security costs	718	678	556	511
Pension cost	633	585	583	552
	<b>8,578</b>	<b>8,147</b>	<b>6,731</b>	<b>6,267</b>

Holiday pay accrual:

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

**Directors' and senior executives' remuneration**

The key management personnel are defined as the Board, the Chief Executive and the Executive Management Team.

The full-time equivalent number of staff, including the key management personnel falling into the following remuneration bandings (including salary, bonus and pension contributions), are as follows:

	<b>2020 No.</b>	<b>2019 No.</b>
£60k to £70k	6	3
£70k to £80k	5	5
£80k to £90k	1	-
£90k to £100k	1	2
£100k to £110k	2	-
£120k to £130k	-	1
£140k to £150k	1	1
£150k to £160k	1	1
£170k to £180k	1	1

**Executive Management Team emoluments**

	<b>TCH Group 2020 £'000</b>	<b>TCH Group 2019 £'000</b>
Emoluments (including benefits in kind)	476	568
Pension contributions	44	41

The highest-paid Director during the year was the Chief Executive (2019: Chief Executive), whose remuneration details (salary, bonus and other benefits), excluding pension contributions, are shown below:

	<b>Salary</b>	<b>Other benefits</b>	<b>Total</b>	<b>Total</b>
	<b>2020 £'000</b>	<b>2020 £'000</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
Highest-paid Director	179	3	182	172

The Chief Executive is a member of the defined contribution pension scheme, to which the Company makes a contribution. He is an ordinary member of the scheme and no special conditions apply. The Company's contributions to the scheme were £13k (2019: £12k).

**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**NOTES TO THE FINANCIAL STATEMENTS**

**9. Employee information (continued)**

**Non-Executive Board Members' emoluments (TCH Group, subsidiary boards and committees)**

	£
Francis Salway (Chair)	15,304
Graham Hill	8,908
Mark Easton	7,960
Marianne Hay	6,823
Kim Hill	5,686
Christopher Starke	5,686
Melanie Forrester	5,686
Andy Mackay	4,438
Susan Martin	2,843
Valerie Marshall	1,800
Gaylene Kendall	752
Mark Dickinson	627
	<u>66,513</u>

Some Board members who are also Peabody Board or Peabody Committee members are remunerated by Peabody.

**10. Taxation**

	<b>TCH Group 2020 £'000</b>	<b>TCH Group 2019 £'000</b>	<b>Company 2020 £'000</b>	<b>Company 2019 £'000</b>
<b>Current tax</b>				
UK corporation tax on (deficit)/surplus for the year	(59)	112	10	3
Deferred tax	72	119	73	55
Tax charge/(credit) on (deficit)/surplus on ordinary activities	13	231	83	58

**Factors affecting the tax charge**

The tax assessed for the period is lower than the standard rate of corporation tax in the UK, as explained below:

(Deficit)/surplus for the year, before tax	(42,295)	16,182	(43,286)	14,965
(Deficit)/surplus on ordinary activities multiplied by the standard rate of corporation tax of 19% (2019: 19%)	(8,036)	3,075	(8,224)	2,843
Effects of:				
Fixed asset timing differences	73	119	73	56
Deficits/(surpluses) exempt from corporation tax	7,976	(2,963)	8,234	(2,841)
Total tax charge	13	231	83	58

**Factors that may affect future tax charges**

TCH is a charitable housing association and is not liable to corporation tax on its charitable activities.

As at 31 March 2020, TCHG Living had tax losses of £29.9m (2019: £29.9m). These losses may be set against certain profits arising in that company in future accounting periods. A deferred tax asset of £5.1m (2019: £5.1m) has not been recognised due to uncertainties as to the extent and timing of its recovery.

**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**NOTES TO THE FINANCIAL STATEMENTS**

**11. Fixed assets - housing properties**

**TCH Group**

	Properties held for letting			Properties under construction			Total
	General needs	Intermediate	Rent to HomeBuy	General needs	Intermediate	Rent to HomeBuy	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Deemed / historic cost</b>							
At 1 April 2019	709,936	26,865	1,168	9,699	2,539	-	803,555
Additions	(6)	-	-	21,964	1,947	-	45,789
New components (replacements)	4,737	55	-	-	-	-	4,792
Schemes completed	8,446	1,509	1,085	(8,446)	(1,509)	(1,085)	-
Property disposals	(2,381)	-	-	-	-	-	(3,460)
Component replacements	(1,518)	(21)	-	-	-	-	(1,539)
Transfer to current assets	-	-	-	-	-	-	(2,007)
Reclassification	(2,471)	-	-	-	-	-	(2,471)
Transfer of tenure	-	-	(146)	-	1,085	1,085	(87)
At 31 March 2020	716,743	28,408	2,107	23,217	1,892	-	844,572
<b>Depreciation and impairment</b>							
At 1 April 2019	(40,833)	(2,275)	(104)	-	-	-	(45,058)
Depreciation charge for the year	(6,440)	(249)	(7)	-	-	-	(4,889)
Depreciation on property disposals	94	-	-	-	-	-	139
Depreciation on component disposals	985	18	-	-	-	-	1,003
Reclassification	433	-	-	-	-	-	433
Transfer of tenure	-	-	13	-	-	-	4
At 31 March 2020	(45,761)	(2,506)	(98)	-	-	-	(48,368)
<b>Net book value</b>							
At 31 March 2020	670,982	25,902	2,009	23,217	1,892	-	796,204
At 31 March 2019	669,103	24,590	1,064	9,699	2,539	-	758,497

The net book value of leasehold land and buildings included above is £5.9m (2019: £5.9m). Additions to housing properties in the course of construction during the year included capitalised interest of £1.0m (2019: £0.5m) at an average interest rate during the year of 3.82% (2019: 3.82%).

**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**NOTES TO THE FINANCIAL STATEMENTS**

**11. Fixed assets - housing properties (continued)**

Company	Properties held for letting				Properties under construction				Total
	General needs	Intermediate	Rent to HomeBuy	Shared leasehold ownership & leasehold	General needs	Intermediate	Rent to HomeBuy	Shared leasehold ownership & leasehold	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Deemed / historic cost</b>									
At 1 April 2019	711,743	26,925	1,168	48,306	7,600	2,479	-	5,471	803,692
Additions	-	-	-	-	22,262	1,947	-	22,077	46,286
New components (replacements)	4,737	55	-	-	-	-	-	-	4,792
Schemes completed	8,652	1,548	1,085	6,760	(8,652)	(1,548)	(1,085)	(6,760)	-
Property disposals	(2,381)	-	-	(1,079)	-	-	-	-	(3,460)
Component replacements	(1,518)	(21)	-	-	-	-	-	-	(1,539)
Transfer to current assets	-	-	-	(2,007)	-	-	-	-	(2,007)
Reclassification	(2,471)	-	-	-	-	-	-	-	(2,471)
Transfer of tenure	-	-	(146)	59	-	(1,085)	1,085	-	(87)
At 31 March 2020	718,762	28,507	2,107	52,039	21,210	1,793	-	20,788	845,206
<b>Depreciation and impairment</b>									
At 1 April 2019	(40,811)	(2,275)	(104)	(1,843)	-	-	-	-	(45,033)
Depreciation charge for the year	(6,440)	(249)	(7)	1,807	-	-	-	-	(4,889)
Depreciation on property disposals	94	-	-	45	-	-	-	-	139
Depreciation on component disposals	985	18	-	-	-	-	-	-	1,003
Reclassification	433	-	-	-	-	-	-	-	433
Transfer of tenure	-	-	13	(9)	-	-	-	-	4
At 31 March 2020	(45,739)	(2,506)	(98)	-	-	-	-	-	(48,343)
<b>Net book value</b>									
At 31 March 2020	673,023	26,001	2,009	52,039	21,210	1,793	-	20,788	796,863
At 31 March 2019	670,932	24,650	1,064	46,463	7,600	2,479	-	5,471	758,659

The net book value of leasehold land and buildings included above is £5.9m (2019: £5.9m). Additions to housing properties in the course of construction during the year included capitalised interest of £1.0m (2019: £0.5m) at an average interest rate during the year of 3.82% (2019: 3.82%).

**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**NOTES TO THE FINANCIAL STATEMENTS**

**11. Fixed assets - housing properties (continued)**  
**Improvements to properties - TCH Group and Company**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Replacement of components	4,748	4,536
Improvements taken to statement of comprehensive income	2,669	2,572
	<b>7,417</b>	<b>7,108</b>

**12. Fixed assets - Investment properties - TCH Group and Company**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Valuation at 1 April	23,130	23,000
(Deficit)/surplus on revaluation	(6,119)	130
Valuation at 31 March	<b>17,011</b>	<b>23,130</b>

TCH Group's market rent properties (included in investment properties above) are fair valued annually at 31 March. The valuation (fair value) is in accordance with the Appraisal and Valuation Manual of RICS using the Market Value Subject to Tenancy basis (MV-ST). The valuation was undertaken by the Group's professional external valuers, Savills. The valuation was £15,752k (2019: £16,312k). TCH Group changed its valuation basis at 31 March 2020 from Market Value - Vacant Possession basis (MV-VP) to a MV-ST basis to align to Peabody Group's valuation basis. This resulted in a deficit on revaluation for the year ending 31 March 2020 of £5,698k. TCH Group's other investment properties (two commercial properties) were valued in 2019/20 at £1,258k (2019: £1,680k) using a rent capitalisation method.

**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**NOTES TO THE FINANCIAL STATEMENTS**

**13. Other plant, property and equipment - TCH Group and Company**

	Freehold offices & premises £'000	Solar panels £'000	Computer equipment £'000	Office equipment & fixtures £'000	Total £'000
<b>Cost</b>					
At 1 April 2019	2,399	-	1,013	766	4,178
Additions	-	-	31	87	118
Transfer from housing properties	-	2,471	-	-	2,471
At 31 March 2020	2,399	2,471	1,044	853	6,767
<b>Depreciation</b>					
At 1 April 2019	(767)	-	(895)	(533)	(2,195)
Charge for the year	(28)	(153)	(43)	(41)	(265)
Transfer from housing properties	-	(433)	-	-	(433)
At 31 March 2019	(795)	(586)	(938)	(574)	(2,893)
<b>Net book value</b>					
At 31 March 2020	1,604	1,885	106	279	3,874
At 31 March 2019	1,632	-	118	233	1,983

**14. Intangible assets**

	TCH GROUP Computer software £'000	COMPANY Computer software £'000
<b>Cost</b>		
At 1 April 2019	2,034	1,915
Additions	123	123
At 31 March 2020	2,157	2,038
<b>Accumulated amortisation</b>		
At 1 April 2019	(1,621)	(1,589)
Charge for the year (operating expenditure)	(212)	(181)
At 31 March 2020	(1,833)	(1,770)
<b>Net book value</b>		
At 31 March 2020	324	268
At 31 March 2019	413	326

**15. Fixed asset investment**

	TCH Group 2020 £'000	TCH Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
<b>Investment in subsidiaries</b>				
Countrywise Repairs Limited (51% owned)	-	-	102	102
Monson Homes Limited (100% owned)	-	-	25,000	3,000
	-	-	25,102	3,102
<b>Investment in MORhomes plc</b>	20	20	20	20
	20	20	25,122	3,122

Countrywise Repairs (incorporated in England) is a joint venture subsidiary which carries out repairs and maintenance services to the Group's properties.

Monson Homes Limited (incorporated in England) develops homes for TCH and for itself for outright sale. MORhomes plc is a social housing treasury vehicle constituted as a non traded public company with listed debt instruments.



## TOWN AND COUNTRY HOUSING

Year ended 31 March 2020

### NOTES TO THE FINANCIAL STATEMENTS

#### 16. Current assets - properties for sale

	TCH Group 2020 £'000	TCH Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Completed properties	7,482	7,318	462	1,930
Properties under construction	21,587	8,046	9,920	827
	29,069	15,364	10,382	2,757

#### 17. Debtors

	TCH Group 2020 £'000	TCH Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
<b>Due within one year</b>				
Rent debtors	2,346	1,374	2,346	1,374
Less: provision for bad and doubtful debts	(399)	(343)	(399)	(343)
	1,947	1,031	1,947	1,031
Amounts owed by subsidiary undertakings	-	-	183	66
Prepayments	796	849	772	836
Outstanding insurance settlements	64	9	64	9
Sales ledger debtors	164	99	150	99
VAT receivable	36	29	8	4
Other debtors	469	1,008	403	568
	3,476	3,025	3,527	2,613
<b>Due after one year</b>				
Amounts owed by subsidiary undertakings	-	-	-	12,500
	3,476	3,025	3,527	15,113

Amounts owed from subsidiary undertakings 2020 - £nil (2019: £12,500k) represents a revolving loan from the Company to Monson Homes at LIBOR plus 2%. It is secured by a floating charge over all of Monson Homes' assets. It is repayable in March 2027.

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

	TCH Group 2020 £'000	TCH Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Accrued loan interest and commitment fees	1,944	2,373	1,944	2,373
Trade creditors	5,500	1,833	2,836	977
Accruals	3,033	2,974	2,917	2,497
Amounts owed to subsidiary undertakings	-	-	4,621	373
Amounts owed to parent undertaking	15,849	-	15,849	-
Rent received in advance	2,945	2,028	2,945	2,028
Retentions on contracts	937	1,211	427	776
Other creditors	17	53	14	44
VAT payable	49	-	49	38
Corporation tax payable	-	57	-	3
Other taxation and social security payable	200	188	153	148
Recycled capital grant fund (note 21)	-	956	-	956
Disposal proceeds fund (note 22)	-	-	-	-
Social Housing Grant in advance	-	-	-	-
Housing loans	3,927	12,809	3,927	12,809
	34,401	24,482	35,682	23,022

**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**NOTES TO THE FINANCIAL STATEMENTS**

**19. Creditors: amounts falling due after more than one year**

	<b>TCH Group</b>	<b>TCH Group</b>	<b>Company</b>	<b>Company</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Debt (Note 30)	130,280	370,999	50,280	290,999
Loan from parent (Note 30)	306,054	-	306,054	-
Loans from subsidiary undertaking – due after more than five years	-	-	79,821	67,321
Deferred capital grant (note 20)	17,272	15,132	17,272	15,132
Recycled capital grant fund (note 21)	721	984	721	984
Leaseholder and tenant monies in respect of future major repairs	1,450	1,173	1,450	1,173
Retentions	546	285	30	53
Deferred tax	265	183	265	182
	<b>456,588</b>	<b>388,756</b>	<b>455,893</b>	<b>375,844</b>

At 31 March 2020, 7,349 properties with a net book value of £613,921k were charged to lenders as security for debt and loan from parent undertaking.

As part of the merger with Peabody most of TCH Group's building society and bank debt was transferred to Peabody. It was replaced with an inter-company loan.

During the year, the average interest rate (including margins) for TCH Group and Company was 4.26% (2019: 3.81%). Interest is paid quarterly on the inter company and bank loans and every six months on the bond. The fixed rates of interest charged during the year varied from 2.44% to 6.48% depending upon the age of the fix. Variable rates of interest ranged from 1.09% to 1.93%. The weighted average interest rate for fixed rates of interest at 31 March 2020 was 4.93% (2019: 4.48%). The weighted average interest rate for floating rates of interest at 31 March 2020 was 1.38% (2019: 1.09%). The weighted average period for which interest rate was fixed at 31 March 2020 was 19.5 years (2019: 21.0 years). The benchmark for determining the interest rate payments on the floating liability was in all cases the London Interbank Offered Rate.

The Company has separate bank accounts totalling £942k which are maintained to match leaseholder sinking funds. These are included within the balances shown as cash at bank and in hand of £4,165k (Company as at 31 March 2020).

**20. Deferred capital grant - TCH Group and Company**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April	15,132	13,583
Grants received	2,355	1,935
Released to statement of comprehensive income	(215)	(386)
At 31 March	<b>17,272</b>	<b>15,132</b>

**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**NOTES TO THE FINANCIAL STATEMENTS**

**20. Deferred capital grant - TCH Group and Company (continued)**

Grant received or receivable at 31 March

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Social Housing Grant – revenue reserves	161,572	161,572
Other grant – revaluation reserve	7,956	7,397
Social Housing Grant – deferred creditor	17,272	15,604
Recycled capital grant fund	721	1,940
At 31 March	<u>187,521</u>	<u>186,513</u>

**21. Recycled capital grant fund (RCGF) - TCH Group and Company**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April	1,940	1,175
Grants recycled	251	793
Use of grant – new build	(1,470)	(28)
Grant repaid	-	-
	<u>721</u>	<u>1,940</u>
Due within one year	-	956
Due within two years	470	192
Due within three years	251	792
At 31 March	<u>721</u>	<u>1,940</u>

All of the fund relates to activities within areas covered by Homes England.

**22. Disposal proceeds fund - TCH Group and Company**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April	-	192
Use of grant – new build	-	(192)
	<u>-</u>	<u>-</u>
Due within one year	-	-
At 31 March	<u>-</u>	<u>-</u>

All of the fund relates to activities within areas covered by Homes England.

**23. Controlling party**

TCH is controlled by its parent undertaking, Peabody Trust an entity incorporated in England and Wales. Copies of its financial statements can be obtained from the registered office: 45 Westminster Bridge Road, London SE1 7JB

# TOWN AND COUNTRY HOUSING GROUP

## Year ended 31 March 2020

### NOTES TO THE FINANCIAL STATEMENTS

#### 24. Pensions

##### Defined contribution scheme

TCH Group operates a defined contribution retirement benefit scheme for qualifying employees. The total expense charged to the statement of comprehensive income in the period ended 31 March 2020 was £280k (2019: £249k).

##### Defined benefit scheme

TCH Group participates in the Kent County Council Superannuation Fund, a funded defined benefit final salary scheme with assets and liabilities held in a separately administered fund. The fund was closed to new entrants in 2003 and is subject to the regulations of the Local Government Superannuation Scheme. Contributions to the scheme are determined by a qualified actuary on the basis of the valuations, using the projected unit method.

Pension benefits depend upon age, length of service and salary level.

A full triennial actuarial valuation of the defined benefit scheme was carried out at 31 March 2019 by a qualified independent actuary. Contributions to the scheme are made by the Group on the advice of the actuary and with the aim of making good the deficit over the remaining working life of the employees.

There were no changes to the scheme during the year and no amounts owing at the year end.

##### Subsequent event

The Ministry of Housing Communities and Local Government (MHCLG) has launched a consultation on how to address the age discrimination case which has arisen on public sector pensions (the McCloud judgement).

At the time of signing these financial statements:

- there is likely to be a change to the pension liability following the completion of the consultation;
- there is currently insufficient information available to base any calculations of the impact on;
- a reliable estimate cannot therefore be made of the impact; and
- the timing of the consultation means that any resulting changes will be reflected in the pension liability at 31 March 2021.

##### Reconciliation of present value of plan liabilities

	2020 £'000	2019 £'000
At 1 April	25,082	25,236
Current service cost	293	305
Interest cost	594	636
Actuarial (gains)/losses from change in financial assumptions	(1,543)	877
Actuarial gain from change in demographic assumptions	(326)	(1,399)
Experience loss on defined benefit obligation	606	-
Estimated benefits paid	(731)	(633)
Past service costs, including curtailments	56	-
Contributions by scheme participants	59	60
At 31 March	24,090	25,082

**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**NOTES TO THE FINANCIAL STATEMENTS**

**24. Pensions (continued)**

**Reconciliation of fair value of plan assets**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April	20,825	19,665
Interest income on fund assets	494	497
Return on assets less interest	(2,025)	1,022
Other actuarial (loss)	(19)	-
Administration expenses	(12)	(10)
Contributions by employer including unfunded	222	224
Contributions by fund participants	59	60
Estimated benefits paid	(731)	(633)
At 31 March	18,813	20,825
Present value of defined benefit obligation	(24,090)	(25,082)
Net pension scheme liability	(5,277)	(4,257)
<b>Amounts recognised in surplus for the year:</b>		
Current service cost	349	305
Administration expenses	12	10
Interest costs	100	139
	461	454
<b>Analysis of actuarial gain/(loss) recognised in other comprehensive income:</b>		
Actual return on fund assets in excess of interest cost	(2,025)	1,022
Experience (loss) on defined benefit obligation	(606)	-
Changes in financial assumptions	1,543	(877)
Change in demographic assumptions	326	1,399
Other actuarial (loss)	(65)	-
	(827)	1,544
<b>Composition of plan assets</b>		
Equities	11,574	14,281
Gilts	146	137
Other bonds	2,452	1,896
Property	2,560	2,501
Cash	492	363
Absolute return fund	1,589	1,647
Total plan assets	18,813	20,825
<b>Principal actuarial assumptions used at the balance sheet date</b>		
Discount rates	2.35%	2.40%
Future salary increases	2.50%	2.90%
Future pension increases	2.00%	2.40%
Inflation assumption - Consumer Price Index (CPI)	2.35%	2.40%
Mortality rates (life expectancy in years from age 65 years)	<b>2020</b>	<b>2020</b>
	<b>Males</b>	<b>Females</b>
Retiring today	21.8	23.7
Retiring in 20 years	23.2	25.2
	<b>2019</b>	<b>2019</b>
	<b>Males</b>	<b>Females</b>
	22.0	24.0
	23.7	25.8

**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**NOTES TO THE FINANCIAL STATEMENTS**

**25. Financial commitments**

Capital commitments are as follows:

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Contracted for but not provided for:				
Construction of properties for rent	65,981	130	15,084	130
Construction of properties for sale	14,310	11,727	1,842	17
	80,291	11,857	16,926	147
Approved by the Board but not contracted for:				
Construction of properties for rent	12,155	15,114	-	-
Construction of properties for sale	18,194	7,645	-	-
Approved by the Board but not contracted for	30,349	22,759	-	-
	110,640	34,616	16,926	147

The above commitments will be financed primarily by cash and borrowings and Social Housing Grant. At 31 March 2020, TCH Group had funding facilities (including bond proceeds) in place totalling £481m, with £110m undrawn.

**26. Operating leases - TCH Group and Company**

Minimum lease payments and receipts under non-cancellable operating leases:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Amounts payable as lessee		
Plant and machinery:		
Within one year	11	8
Between one and five years	15	15
	26	23
Land and buildings:		
Within one year	-	20
Between one and five years	-	-
	-	20
Amount receivable as lessor		
Land and buildings:		
Within one year	27	50
Between one and five years	-	27
	27	77

**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**NOTES TO THE FINANCIAL STATEMENTS**

**27. Accommodation in management - TCH Group and Company**

The following numbers of units were in management at the end of the year:

**At 31 March 2020**

	<b>Owned &amp; directly managed No.</b>	<b>Owned &amp; managed by others No.</b>	<b>Total owned No.</b>
<b>Social housing</b>			
General needs	6,486	24	6,510
Affordable	959	-	959
Affordable sheltered	120	-	120
Sheltered	355	-	355
Intermediate	270	-	270
Rent to HomeBuy	21	-	21
Shared ownership	658	-	658
	<b>8,869</b>	<b>24</b>	<b>8,893</b>
<b>Non-social housing</b>			
Market rented	136	-	136
<b>All housing</b>	<b>9,005</b>	<b>24</b>	<b>9,029</b>

**At 31 March 2019**

	<b>Owned &amp; directly managed No.</b>	<b>Owned &amp; managed by others No.</b>	<b>Total owned No.</b>
<b>Social housing</b>			
General needs	6,490	24	6,514
Affordable	917	-	917
Affordable sheltered	117	-	117
Sheltered	358	-	358
Intermediate	268	-	268
Rent to HomeBuy	14	-	14
Shared ownership	638	-	638
	<b>8,802</b>	<b>24</b>	<b>8,826</b>
<b>Non-social housing</b>			
Market rented	136	-	136
<b>All housing</b>	<b>8,938</b>	<b>24</b>	<b>8,962</b>

	<b>2020 No.</b>	<b>2019 No.</b>
<b>Leaseholders</b>	<b>395</b>	<b>376</b>

**28. Called-up share capital-non-equity**

	<b>2020 £</b>	<b>2019 £</b>
At 1 April	11	11
Issued during the year	3	1
Surrendered during the year	-	(1)
As at 31 March	<b>14</b>	<b>11</b>

## **TOWN AND COUNTRY HOUSING GROUP**

### **Year ended 31 March 2020**

#### **NOTES TO THE FINANCIAL STATEMENTS**

##### **29. Related parties**

TCH Group has taken advantage of the exemption permitted by FRS 102 – ‘Related Party Disclosures’ and does not disclose transactions with its parent undertaking that are eliminated on consolidation.

##### **Key management personnel**

Details of remuneration of key management personnel are shown in note 9.

##### **Tenant Board Members**

Two members of the Board (Kim Hill and Melanie Forrester) are tenants of TCH. Their tenancy agreements pre-date their appointment to the Board, and their terms are standard, with rents and service charges calculated in accordance with our normal policies. In aggregate, the annual rent and service charges payable by the two members in the year totalled £14,150 (2019: £13,970). At 31 March 2020, one rent account was in credit and the other had a nil balance. The aggregate balance on the accounts was a credit of £1,624 (2019: credit of £1,308). The credit balances are unsecured and represent pre-payment of rent and service charges. They will be applied to future debits to their rent accounts.

##### **South East Consortium (SEC)**

TCH is a member of the SEC, a not-for-profit organisation which generates procurement efficiencies through the collective buying power of its members, principally housing associations and councils. SEC is run by a board of directors drawn from senior staff of its members, including Colin Lissenden. He receives no remuneration from SEC for this role. SEC charges a membership fee, and also charges a commission to suppliers on purchases made by its members. TCH paid a membership fee of £3k in 2019/20 (2019: £3k). There was no balance due at 31 March 2019 (2018: Nil).

##### **Inter-company**

The Group has transactions and balances with three subsidiaries – TCHG Living, MHL, and CWR – in order to recharge overhead costs within the Group. These charges are based on a calculation of the actual costs of delivering support services including a reasonable proportion of overheads. A consistent basis has been used in 2019/20 to that used in prior years. Total amounts recharged were £847k (2019: £599k).

Monson Homes Limited (MHL) constructs and develops housing schemes on behalf of the Group. MHL charges TCH for its actual costs in procuring construction services plus a mark-up of 4% or 10% (depending upon the degree of management required). In 2019/20, the amounts charged by MHL on this basis totalled £26,525k (2019: £9,291k). MHL has a loan from TCH at LIBOR plus 2% with a revolving facility of £60m, it is secured by a floating charge over all of MHL's assets and is repayable in 2027. At 31 March 2020 the amount loaned was £Nil (2018: £12.5m). MHL loans surplus cash to TCH at an interest rate that TCH could obtain on its surplus cash. At 31 March 2020m the amount loaned was £4,250k (2019: £Nil).

Countrywise Repairs Limited (CWR) is a 51%-owned subsidiary with Wates Living Space Limited owning the remainder. CWR undertakes property repairs for the Group. The amounts charged to TCH in 2020 were £5,351k (2019: £5,159k). The amount due to CWR from TCH and vice versa (unsecured inter-company trade debtor/creditor) at 31 March 2020 was £266k (2019: £100k).

TCH has entered into a loan agreement with TCHG Capital PLC (a special-purpose vehicle for raising bond finance) to borrow the monies raised from an £80m bond issue. A total of £80m (2019: £67m) had been drawn at 31 March 2020. TCHG Capital PLC's shares are held by an independent trustee with TCH having an option to purchase them. TCH meets all of TCHG Capital's net interest and running costs so that it achieves a break-even position. TCHG Capital PLC's results are included in the consolidated TCH Group financial statements.



**TOWN AND COUNTRY HOUSING GROUP**  
**Year ended 31 March 2020**

**NOTES TO THE FINANCIAL STATEMENTS**

**30. Financial instruments**

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

	<b>TCH Group</b>	<b>TCH Group</b>	<b>Company</b>	<b>Company</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Financial assets</b>				
<i>Measured at amortised cost</i>				
- Loan due from subsidiary	-	-	-	12,500
<i>Measured at undiscounted amount receivable</i>				
- Amounts due from subsidiaries	-	-	183	66
- Rent arrears and other receivables	2,644	2,147	2,565	1,707
- Cash and cash equivalents	9,868	21,859	4,165	6,589
	<b>12,512</b>	<b>24,006</b>	<b>6,913</b>	<b>20,862</b>
<b>Financial liabilities</b>				
<i>Debt at nominal value:</i>				
Loan from parent undertaking	245,605	-	245,605	-
Bond	80,000	80,000	-	-
Loan from subsidiary	-	-	79,821	67,321
Bank and building society loans	45,726	271,898	45,726	271,898
	<b>371,331</b>	<b>351,898</b>	<b>371,152</b>	<b>339,219</b>
<i>Debt measured at amortised cost:</i>				
Loan from parent undertaking	321,054	-	321,054	-
Bond	80,000	80,000	-	-
Loan from subsidiary	-	-	79,821	67,321
Bank and building society loans	54,207	303,808	54,207	303,808
	<b>455,261</b>	<b>383,808</b>	<b>455,082</b>	<b>371,129</b>
<i>Maturity of debt:</i>				
Within one year	18,927	12,809	18,927	12,809
Between two and five years	11,060	56,087	11,060	56,087
After five years	341,344	283,002	341,166	270,323
	<b>371,331</b>	<b>351,898</b>	<b>371,152</b>	<b>339,219</b>
Other financial liabilities:				
<i>Measured at undiscounted amount payable</i>				
- Amounts owed to subsidiaries	-	-	4,621	373
- Trade and other creditors	13,881	9,274	10,587	7,497
	<b>13,881</b>	<b>9,274</b>	<b>15,208</b>	<b>7,870</b>

**Interest rate and liquidity risk of financial liabilities**

*Interest rate risk*

TCH Group borrows at both fixed and floating rates of interest. It does not borrow in foreign currencies. At 31 March 2020, 76.3% of TCH Group's net borrowings were at fixed rates.

*Liquidity risk*

TCH Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings with a range of maturities.

**TOWN AND COUNTRY HOUSING GROUP**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**30. Financial instruments (continued)**

**Interest expense through the statement of comprehensive income**

	TCH Group	TCH Group	Company	Company
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Interest expense for financial liabilities at amortised	14,618	14,088	14,872	14,305
Movement in fair value of financial instruments	52,020	-	52,020	-
	66,638	14,088	66,892	14,305

**Interest income through the statement of comprehensive income**

	TCH Group	TCH Group	Company	Company
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Interest income for financial assets at fair value	-	31	-	-
Interest income for financial assets at amortised cost	-	-	701	805
amount receivable	21	80	20	50
	21	111	721	855

**31. Analysis of changes in net debt**

TCH Group	At April 2019	Cash Flows	Fair value movement	Non cash movement s	At 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Cash at bank & in hand	21,859	(11,991)	-	-	9,868
Bank loans due within one year	(12,809)	12,809	-	(3,927)	(3,927)
Bank loans due greater than one year	(278,190)	213,363	23,429	(8,882)	(50,280)
Loan from parent undertaking due within one year	-	-	-	(15,000)	(15,000)
Loan from parent undertaking due greater than one year	-	(245,605)	(75,449)	15,000	(306,054)
Bond	(80,000)	-	-	-	(80,000)
<b>Total</b>	<b>(349,140)</b>	<b>(31,424)</b>	<b>(52,020)</b>	<b>(12,809)</b>	<b>(445,393)</b>

**32. Subsequent events**

*The Covid 19 pandemic* began to impact TCH Group's operations in March 2020, with the Health Protection (Coronavirus, restrictions) (England) Regulations 2020 coming into force on 26 March.

The restrictions have resulted in a number of impacts on TCH Group and its customers:

- Operational issues such as pausing all but essential repairs, restrictions on communal areas, the supply of personal protective equipment, and the need to support vulnerable residents
- Developments on site were paused for a period (although all are now underway again)
- Sales of new homes were impacted, although we continued with virtual viewings, and received reservations on this basis which have subsequently proceeded to exchange and completion
- The majority of office based staff are working remotely, and the Board is meeting more
- The Board is meeting more frequently, remotely.

*Local Government Pension Scheme* - The Ministry of Housing Communities and Local Government (MHCLG) has launched a consultation on how to address the age discrimination case which has arisen on public sector pensions (the McCloud judgement). Further details are provided in note 24.