



Inclusion Housing Community Interest Company

Report and Financial Statements

For the year ended 31 March 2020

Inclusion Housing Community Interest Company

Company registration number 06169583

Report and Financial Statements For the year ended 31 March 2020

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Company Information

For the year ended 31 March 2020

Directors:	P Ottowell G Naidoo I Brown J Grimes K Lewis A Bell K Harwood J Wild P Redfern R Patterson T Allen	Resigned 17 th July 2020 Resigned 29 October 2019 Resigned 26 th May 2020 Resigned 2 January 2020 Appointed 29 th October 2019 Appointed 23 rd January 2020
Company Secretary:	S Waters	
Registered Office:	106 Heworth Green York YO31 7TQ	
Company Registration Number:	06169583	
Regulator of Social Housing Registration Number:	4662	
Auditors:	Beever and Struthers Statutory Auditors St George's House 215-219 Chester Road Manchester M15 4JE	
Solicitors:	Ward Hadaway Sandgate House 102 Quayside Newcastle Upon Tyne NE1 3DX	
Bankers:	Santander UK PLC 7 High Ousegate York YO1 8RZ Nationwide Building Society Pipers Way Swindon SN38 1NW The Co-Operative Bank 1 Balloon Street Manchester M60 4EP	

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Strategic Report

For the year ended 31 March 2020

The Board of Inclusion Housing CIC Limited is pleased to present its strategic report together with the audited financial statements for the year ended 31st March 2020.

Director who held office during the period 1st April 2019 to the date of this report :

P Ottowell	– Appointed 14 th July 2015	
G Naidoo	– Appointed 14 th July 2015	Resigned 17 th July 2020
I Brown	– Appointed 20 th October 2015	
J Grimes	– Appointed 20 th October 2015	
K Lewis	– Appointed 20 th October 2015	Resigned 29 th October 2019
A Bell	– Appointed 21 st June 2016	
K Harwood	– Appointed 22 nd August 2018	Resigned 26 th May 2020
J Wild	– Appointed 22 nd August 2018	Resigned 2 nd January 2020
P Redfern	– Appointed 23 rd October 2018	
R Patterson	– Appointed 29 th October 2019	
T Allen	– Appointed 23 rd January 2020	

Company Secretary who held office during the period 1st April 2019 to the date of this report

S Waters	– Appointed 22 nd December 2015
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Principal Activities

Inclusion Housing (IH) is a community interest company (CIC – Social Enterprise) regulated by the Government CIC regulator, a registered provider of social housing regulated by the Regulator of Social Housing granted in June 2011. A not for profit, voluntary organisation we continue to work with and on behalf of vulnerable people. Inclusion Housing has been named Winner of the Chairman’s Selection Award in the Grand Final of the 2019 European Business Awards, being named the winner following a final face to face judging session and chosen out of over 150,000 business’ from 33 countries who were initially considered. Adrian Tripp, CEO of the European Business Awards said, “Inclusion Housing has reached the gold standard for business excellence by winning this Award. They are a powerful example of a business meeting the challenges of a hugely competitive global marketplace, achieving phenomenal success, and making a positive difference to the world we live in. They deserve their success and we wish them well.”

Award winning IH is one of the leading national providers of non - government grant funded supported accommodation designed to meet a range of housing needs for adults with learning disabilities, mental ill health, acquired brain injuries, physical & sensory disabilities and extra care, including a specialist dementia scheme. With 2486 units in management, located across 116 local authority areas, we work in partnership with other organisations to meet the specific care and support needs of client groups with particular specialist requirements. Tenancies are granted to vulnerable people who receive daily support from specialist support providers.

IH is a cutting edge, innovative company that can respond quickly to new opportunity or ideas. Non bureaucratic or hierarchical; the senior management team can be easily accessed, immediately.

Continued business growth is helping to meet the demand for specialist supported housing accommodation in the social and healthcare sector. Commissioners increasingly outsource their property requirements, IH is ideally placed to respond to the increasing momentum to provide local and responsive community based accommodation solutions.

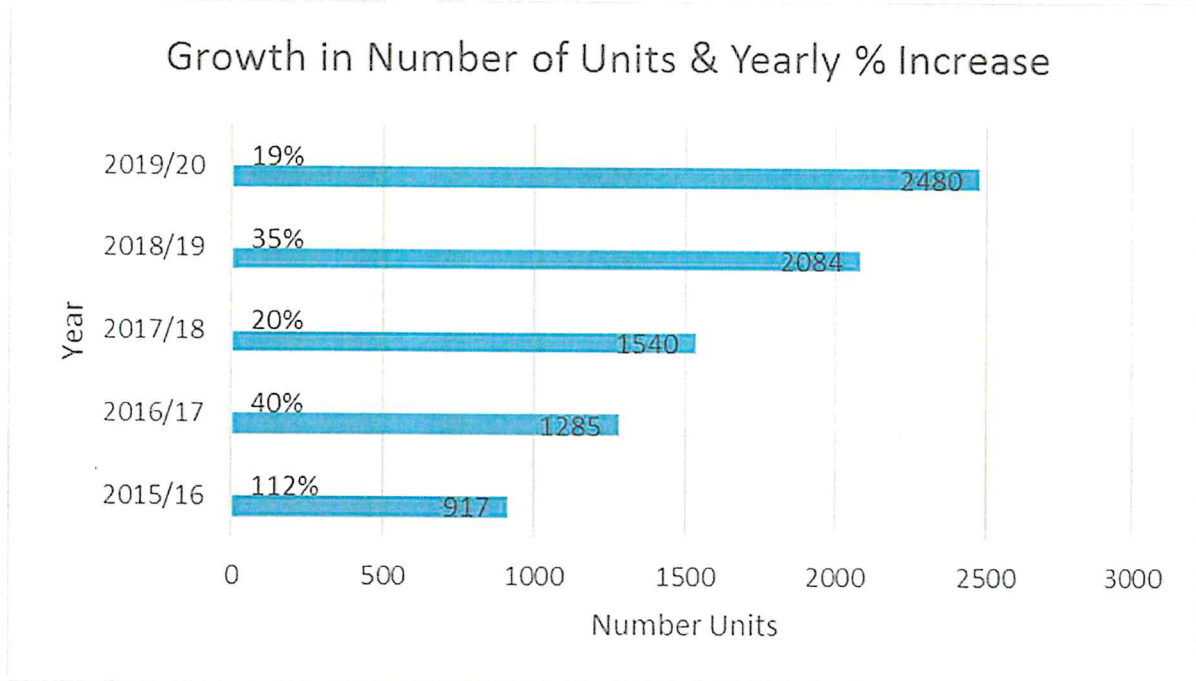
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For the year ended 31 March 2020

GRAPH 1



Number of units owned includes freehold & held under an operating lease

The rate of growth achieved by IH over the last six years has been significant, experiencing an exceptional 112% increase in 2015/16 reducing to an average of 25% over the last three years.

WHERE WE OPERATE

A National Operation with a Local Presence

IH has a national portfolio of properties and provides a local service through designated local representatives who visit homes at least every two weeks complemented by a local network of service contractors. We provide intensive housing management visits to residents on a fortnightly basis to help sustain tenancies and manage the signing up process, assist with housing benefit claims and respond quickly to issues and concerns through a personalised local service.

IH is currently developing further new supported living schemes across United Kingdom, a mix of IH owned funded from cash reserves and long-term leases via Institutional Investment Partners.

STRATEGIC VISION & PRIORITIES

VISION

To be the leading health & social care landlord for vulnerable adults, providing flexible, innovative housing solutions and life opportunities in partnership.

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Strategic Report

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PRIORITIES

Strategic Priority 1	Strategic Objectives	Issue	Key Outcomes	IH Value
Asset Management	Maintain Assets - The delivery of high performing efficient and compliant property maintenance and servicing arrangements that deliver excellence and maintain our property portfolio to a high standard	Property	Top Quartile: Maintenance Service Satisfaction Reduced average Property costs	Excellence Trusted

Strategic Priority 2	Strategic Objectives	Issue	Key Outcomes	IH Value
Growth	Develop New Business – Fully appraise each development opportunity as IH expands its portfolio across the country as a unique housing & social enterprise	Growth	3,000 properties in management by 2022	Enterprise Collaborative

Strategic Priority 3	Strategic Objectives	Issue	Key Outcomes	IH Value
Business Viability	Organisational Development - To encourage innovation and flair within the team, combined with a reward structure that encourages individuals who will always continue to demonstrate the extra commitment to get the job done	People	National Top Employer Award Low turnover of staff	Inclusive Collaborative
	Continuous Improvement - To continuously improve our operational systems and service delivery	Delivery & Customer	Best Companies Accreditation	Excellence
	Commercial Management Viability - Be commercially governed and effectively managed	Governance	G1 Governance Rating	Trusted

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Strategic Priority 4	Strategic Objectives	Issue	Key Outcomes	IH Value
Customer Excellence	Home life Tenant Involvement- Support & encourage volunteering, training and employment opportunities and the related benefits this brings to an individual's lifestyle	Resident Involvement	Top Quartile Customer Satisfaction	Inclusive
	Customer Excellence - Meet the housing needs of vulnerable people and provide a range of housing related services to enable the tenants to live a happy and sustainable lifestyle	Diversity & choice	Customer Excellence Accreditation Investors in Diversity Accreditation	Excellence

Strategic Priority 5	Strategic Objectives	Issue	Key Outcomes	IH Value
Financial Viability	Financial Viability - Be financially viable, and professionally managed	Finance	Deliver against our business plan	Trusted
	Value for Money- To be efficient in our drive to provide a range of housing and related services to a recognised quality to all our current tenants and customers	Value	Reduce Average Operational Costs Margins >7%	Excellence

PURPOSE

Our two main purposes are:

- Carrying on the business of social enterprise, which provides and manages housing and associated services to vulnerable and disabled people in the UK (without limitation).
- Any other object which is connected with or incidental to the provision of housing (including specialist and supported) that can be carried out from time to time as a company registered as a community interest company and registered housing provider in partnership with commissioners, communities, care providers, developers and investors which benefit the community.

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Strategic Report

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VALUES

Our key values are:

- Delivering **excellence** across all our activities and services
- Working in **collaboration** with all stakeholders to ensure improvement
- Inclusive** and person centred to promote diversity across our activity
- Trusted** by being open and accountable to our stakeholders
- Entrepreneurial** and innovative to grow our company

RISKS & UNCERTAINTIES

The Board of IH is ultimately responsible for managing the risks it faces; the implementation of risk management is delegated to the Executive and Staff. IH has established and adopted a risk framework and register to ensure effective identification, management and mitigation of risk across the organisation. The risk register has been developed by the executive team to address and monitor the Key risks to the organisation.

Key risks to the organisation include:

- Over committed growth plan
- Failure to ensure adequate governance
- Failure to meet legal or statutory requirements
- Welfare reform changes
- Counterparty risk with reliance on nomination / void agreements
- Reduced investment into the sector
- Adverse increase in lost income due to reduced demand and or performance

The Lockdown measures introduced by the government due to coronavirus have presented new and emerging uncertainties. IH enacted its contingency plan on the 2nd March 2020 undertaken in consultation with the Board to scale back face-to-face visits to schemes and a move towards home working for all head office staff.

Emergency, compliance and urgent repairs have been completed during the period of lockdown to ensure vulnerable tenants are supported, with an element of anticipated catch up relating to non-urgent repairs later in the year with possible increased demand driven costs. The IH income has remained robust with a stable voids position and strong cash flows from housing benefit payments, removing the need to access any of the government support options.

New development opportunities have incurred delays during the first half of 2020/21 financial year giving rise to an anticipated fall in development income in the short term. The medium-term outlook is positive with investment confidence strong due to returns from the specialist supported housing market not being negatively impacted compared to other 'commercial property investment.

The new normal will include social distancing, increased levels of remote working providing both staff and tenants with new opportunities to engage via a digital platform. The main impact of the lockdown measures has been the slowing down of the growth of the business in the short term with a likely dampening of the surplus generation in 2020/21.

IH needs to take managed risks in order to deliver on its primary aim of increasing the supply of specialist supported housing for vulnerable and disabled people. The IH business model is considered a higher risk model when compared to traditional supported housing registered providers.

We therefore ensure a robust risk management framework is in place in order to maintain financial viability and to protect the homes and tenancies we own, lease and manage.

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Underpinning our risk, appetite and approach to risk management are the requirements that we will:

- Hold adequate cash balances to ensure continued operations during any period of adjustment in adverse circumstances
- Provide services to customers, meeting all regulatory and health & safety requirements
- Protect social housing assets and the reputation of the social housing sector
- Reduce our reliance on a dominant counterparty
- Continued strengthening of reserves to mitigate against adverse operating conditions or threats

The Business plan has been stress tested to ensure the Executive and Board are aware of the affect increases in the number of voids, changes in government legislation, unexpected increased costs, limited growth and counterparty risk on the organisation. The scenario testing revealed one of the key risks to the financial success of the organisation is the lost income due to empty properties. A Key performance objective for IH is to reduce the number of empty properties and diversify the range of partners that it works with; increased from 43 last year to 56 by March 2020.

In all financial matters, IH is risk averse. Its policies, strategies and procedures are structured to minimise exposure to risks that could jeopardise the security or value of our assets.

BUSINESS REVIEW

Development & Performance

As a housing provider, it is essential that IH make a healthy surplus to fulfil its core strategic priorities. All surpluses are reinvested into bringing new units into management, improving services for our residents and building cash reserves to mitigate future lease liability risks.

The Board is pleased to report a surplus on ordinary activities before interest and taxation for the year of £1,764K alongside an increase in property sinking fund reserve £1,392K (held as cash), to be allocated against future investment in properties managed by IH maintaining quality homes for our residents.

GRAPH 2



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The income over the last five years (shown in graph 2) increased from £11million to £37 million driven by the increase in the number of units in management shown in graph 1.

The rate of increase peaked during 2015/16 at 130%, reducing to an average of 36% over the past four years. The yearly percentage increase in income generated will diminish over time with the projected units into management in the future reflecting a reducing trend in line with graph 1.

During the last five years, IH has achieved a significant reduction in operating costs, in particular during the period 2015/16 to 2016/17, stabilising in recent years between 93% and 91% of income; demonstrating a history of cost control in an environment of rapid growth.

GRAPH 3



The combination of continued growth in income and the control of costs has resulted in yearly-sustained surplus before tax achieving a consistent return of 7% in the year 2017/18 and 2018/19. One off exceptional costs have been incurred in 2019/20 dampening the return, the budget for 2020/21 reflects a 7% return in line with previous years.

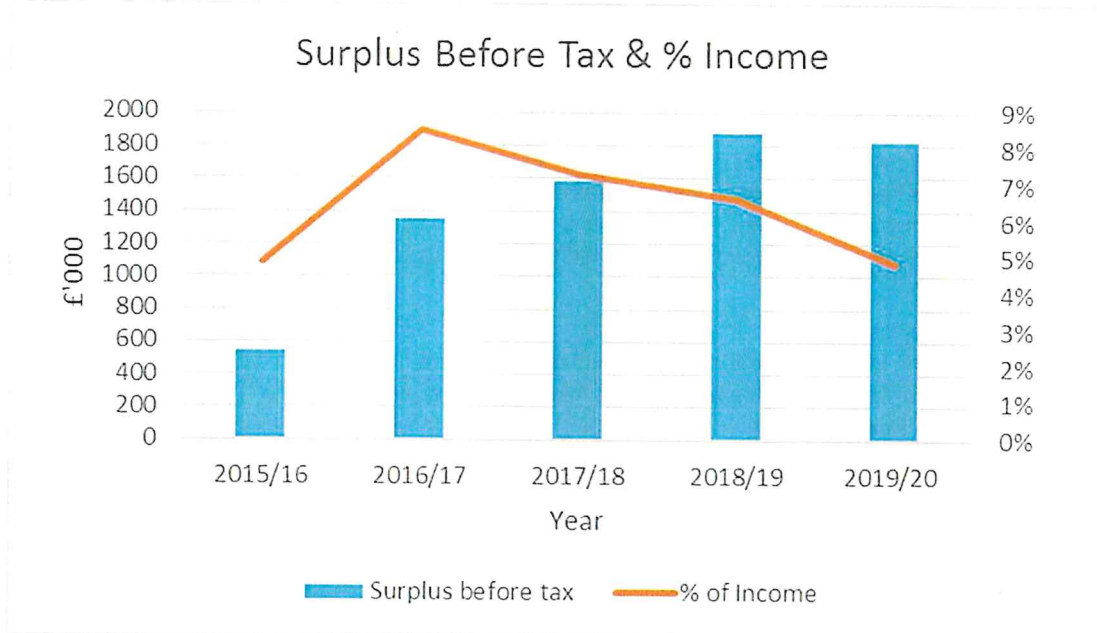
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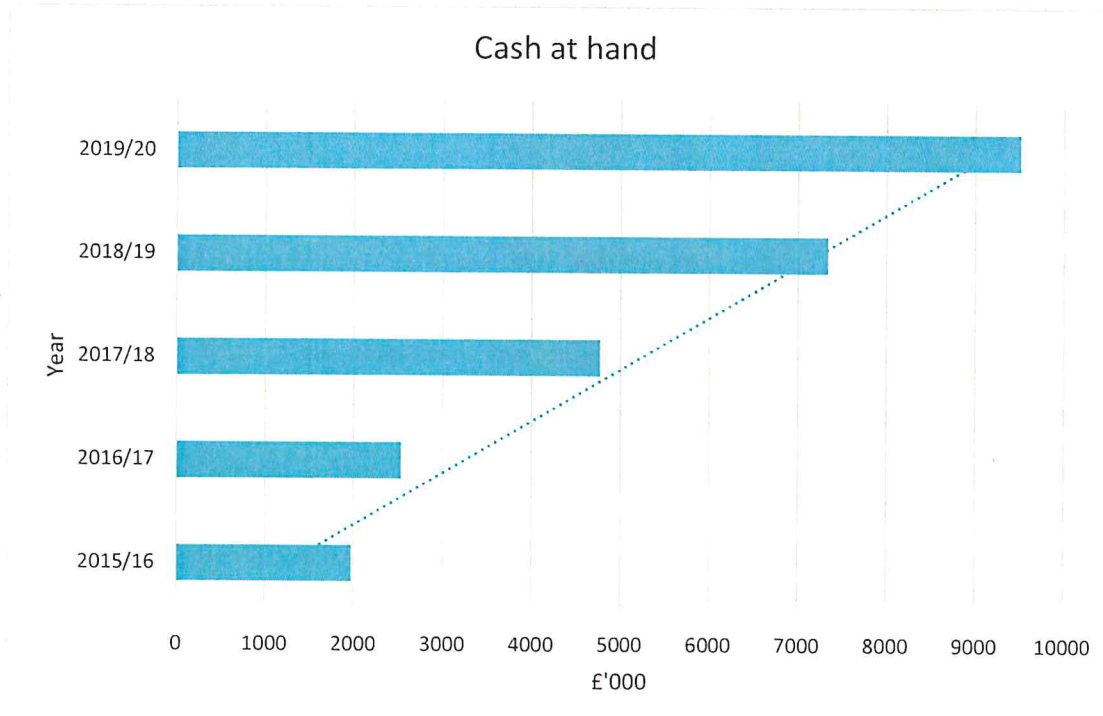
For the year ended 31 March 2020

GRAPH 4



Strong working capital management and surplus generated has enabled cash reserves of £9.5 million to be generated and retained, including a property sinking fund of £3.8 million available to support the future property investment to ensure the IH properties are maintained to a high standard; providing desirable places to live for the long term. The healthy cash reserves enabled the purchase of three unencumbered assets, providing supported living homes in line with plans to grow the asset base and thus further diversifying the business into a broader range of financing sources.

GRAPH 5



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In the past five years IH has demonstrated strong financial gains on a consistent basis, providing a strong platform to provide further specialist supported housing in the future.

LOOKING TO THE FUTURE

The focus is on exerting increasing influence in our market through 'Excellence & Growth' by providing quality services to our customers and growing to in excess of 3000 units in management in the next few years including an increase in the number of schemes being self-funded from IH cash reserves. We will achieve this by enhancing our efficiency to generate increased surpluses for investment in homes and services and continuing to develop our people and business so that we can do more and better. These strategic priorities will help us to deliver our longer-term targets in line with the 30-year business plan.

The key operating principles of IH are:

- Exert influence in the market to reduce risk and increase investment
- Continue to grow and develop the number of units in management
- Provide services on a national level.
- Enhance our working relationship with others
- Ensure that all new development proposals remain demand led, viable and subject to high levels of commissioner consultation.
- Continue to provide accredited excellent services that are sensitive to the needs of residents and communities and meet the aspirations of our partners and residents.
- Set clear measures of performance that are reviewed and reported regularly, and make a commitment to on-going improvement in service delivery.
- Ensure that our staff are well trained and motivated and have clear targets that contribute directly to achieving business goals.
- Ensure that the governance and decision-making processes within IH is commercial, efficient and accountable.
- Ensure the key risks to IH are identified, monitored and managed effectively at a strategic and operational level.
- Ensure that the business remains financially viable, and that IH achieves growing surpluses and increased cash reserves in each year of the business plan period.

With the CIC (social enterprise) status combined with our specialist team of experts, this will help deliver more business opportunities. The contracting arrangements provide sound protection for a variety of organisations who wish to financially invest in the growth of IH. Partnership working will be invaluable to the future success of IH's growing national reputation as a unique specialist health & social care housing provider with the drive to deliver innovative social enterprise initiatives.

VALUE FOR MONEY

Our Value for money approach is an IH strategic objective and linked to our vision. The value for money objective is to - **'Ensure robust business planning that delivers value for money'**

The three classic components of 'VFM': - economy, efficiency, and effectiveness, are -

- **Economy** relates to keeping down the **cost of inputs**,
- **Efficiency** relates to the **transformation of inputs to outputs** (*quantity & quality*) i.e. how much you put in, in relation to what you get out.
- **Effectiveness** relates to **achieving desired outcomes**. Outcomes are what matter to the customer and should map across to the business's high-level objectives.

In bringing these three components together, IH is producing a range of quantitative and qualitative outputs across a range of services, which collectively deliver the desired outcomes for the best possible cost. This objective is underpinned by the following aims: -

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- To ensure that VFM is embedded into all aspects of the Business's work that all staff understand that VFM and improvement form part of individual performance targets
- To measure and benchmark VFM to enable informed service improvements, costs and priorities
- To fully understand our service costs and the factors that affect these
- To ensure that opportunities for procurement and partnering are fully explored
- To ensure that efficiency gains are reinvested into front line services, and the people and infrastructure that support these services, in line with customer wishes and community needs
- To ensure that there is demonstrable improvement in our VFM performance through challenging but achievable and sustainable efficiency targets year on year

There is a range of activities underway within IH to ensure the delivery of VfM. They include a clear role for governance in setting strategic priorities and the delivery for VfM; performance management and benchmarking; effective fiscal management and the dissemination of accurate and relevant financial information; clear efficiency targets reflected in budgets; and effective procurement. Inclusion has a continuous improvement framework to achieve economies and efficiencies as a fundamental requirement.

Productivity Efficiencies

As IH has grown, efficiencies have been gained through economies of scale, increasing front line staffing at levels to ensure excellent service delivery, whilst keeping the management numbers static. Graph 6 shows the sustained increase in efficiencies over the last 5 years achieving productivity gains from 33 properties in management per employee to 49 in 2019/20: a 50% efficiency gain.

GRAPH 6



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Key Strategic Priority	Self-Assessment
<p>Asset Management</p>	<p>Growth in Business</p> <p>Completed 396 new units in management with plans to deliver future sustained growth in specialist supported housing in line with the business plan.</p> <p>Included in the above ,10 units , 3 properties purchased below the market value providing strong future returns</p> <p>Biannual return on assets report is presented to audit & risk committee containing a review of the financial viability of all schemes, and consideration of required actions to ensure ongoing positive returns from each scheme managed are achieved</p>
<p>Added Value</p>	<p>Handyperson Service</p> <p>38% of schemes (131) receive a handyman service this proactive approach to delivering the repairs service is achieving added value through:</p> <ul style="list-style-type: none"> • Enhanced service provided through value added jobs • Reduced number of informal complaints • Reduced number of calls to IH staff ordering and chasing repairs • The improved relationships between IH and care providers. • Schemes stay fresher for longer as the handyperson regularly touches up paintwork around hard used areas (lifts/doors etc.). <p>Value added jobs (17% of total handyperson jobs) cover items not normally the responsibility of IH, where there is no capacity to undertake the jobs examples are - picture/mirror hanging, curtains/blinds rehanging/fitting, bulb changes, electronic fittings (TVs/DVDs/programming/setting of electrical items).</p>
<p>Business Viability</p>	<p>Continuous Improvement</p> <p>8% increase in productivity per employee</p> <p>Further year on year reduction in days lost due to sickness from an average of 3.66 in 2018/19 to 2.87 days per employee in 2019/20: a 21% fall. This reducing trend compares favourably to the supported housing bench marketing club 2019 annual report median at 3.7 days</p>
<p>Community</p>	<p>HomeLife Project</p> <p>HomeLife project is about forging links between tenants of IH and our neighbours in the local community, with the aim of tenants becoming more involved in local activities. A Number of initiatives delivered benefiting up to 390 tenants during the year</p> <p>HomeLife encourages our tenants to:-</p> <ul style="list-style-type: none"> - Learn new skills - Combat social isolation - Access training or employment - Improve health and wellbeing - Access volunteering - Join a social activity - Improve confidence and self-esteem - Reduce isolation, build connections and friendships

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Key Strategic Priority	Self-Assessment
<p>Working in Partnership</p>	<p>Cost Savings to Public Funds Working in partnership with East Sussex Adult Social Care and care provider, IH were approached to manage an existing service in Steynes, near Brighton. The scheme supported clients with learning disabilities but required a more intensive housing management service to provide and maintain high quality housing standards and manage repairs and maintenance. The property is owned by East Sussex County Council but leased on a peppercorn rent basis, providing cost savings on public funds, services to meet local demand and has brought quality accommodation into use for the benefit of the Council's strategic needs.</p> <p>An additional benefit for tenants and customers has been East Sussex and IH worked in partnership to review Inclusion's existing Pictorial Tenancy Guide to better support clients with identified learning disability, the updated guide has now been rolled out to support and benefit all Inclusion tenants.</p>
<p>Financial Viability</p>	<p>Financial Viability A move towards self-insurance of lost income from void properties resulted in retaining £1.3 million in the business, rather than funding insurance premiums</p> <p>Void agreements enhanced to include recovery of council tax incurred on empty properties additional £20K recovered in the year</p> <p>Void support pots held at the end of the year totalled £1.3 million utilised to support specific schemes in the event of lost income through voids both in the short and long term.</p> <p>Property Sinking Fund growth to £3.8 million cash reserves, supporting the 30 year asset investment plan.</p> <p>Competitive procurement of property insurance resulted in a 27% reduction in renewal rates: £73K total saving against budget in 2019/20</p> <p>New two-year utility contracts estimated to provide savings on current tariffs of 21% gas and 9% electricity supply, savings to be realised on 2020/21.</p> <p>DocuSign introduced allowing legal Operational documents such as tenancy agreements and facilities contracts to be signed remotely, reducing our carbon footprint and bringing time and material (paper / postage) efficiencies. Each DocuSign envelope providing a saving just under £4 per tenancy pack, estimated saving in the year £2K.</p> <p>Treasury Management</p> <p>Increase in total cash balance £2.1 million from £7.3 million to £9.5 million</p> <p>Focused arrears management resulted bad debt write off remaining low at £50K 0.2% of net rental income; supported housing benchmarking club average 0.9%</p> <p>Interest bearing bank accounts generated £25K additional interest receivable by comparison to the previous year</p>

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Target Setting & Monitoring

Value for money is monitored and reported to Board bimonthly through the publication of the performance scorecards including value for money scorecard, containing actual against budget analysis, with yearly targets being set by the board to achieve strategic objectives. The scorecards include the RSH value for money metrics and IH own VFM targets.

MEASURABLE PLANS PERFORMANCE IMPROVEMENT

Key to the financial success of IH is the minimisation of voids lost income, this materialises when there is no occupancy of a unit and no contractual arrangement to recover the rental income from third party or through subsidies / revenue grants. Further mitigation comes from negotiation of contractual rent-free periods or void pots to cover initial and turnover voids; along with insurance and self-insurance facilities, which has a net effect of reducing overall cash void loss.

Performance during 2019/20 reflects an improving trend compared to 2018/19, a reduction in lost income from 7.9% to 5.6%. A Measurable target of 5.5% has been set for 2020/21, achievable through the following measures:

- Work closely with Commissioners & Care providers to proactively secure referrals
- High Levels of investment in properties to ensure desirable place to live
- Reduce number of tenants leaving through proactive Intensive housing management
- Ensure all new developments include Voids agreements from earliest possible moment
- Continue to self-insure lost income
- Secure void pots on new developments wherever possible
- New schemes into management with a referral pipeline

VALUE FOR MONEY METRIC

Value for money metrics introduced by the RSH broadly setting a measure to capture performance across the sector in a fair and comparable way. It is however acknowledged that any metric, will inevitably be more appropriate for some providers than others. The lease-based model does provide some results outside the sector norm.

TABLE 1 SECTOR BENCHMARKING

Number	VFM Metrics	IH Actual 2019/20	IH Target 2019/20	Sector Lower Quartile	Sector Medium Quartile	Sector Upper Quartile	Continuous Improvement Trend
RSH 1	Reinvestment %	53.1%	50%	3.8%	6.2%	9.0%	
RSH 2A	New supply delivered (Social housing units)	16.1%	17%	0.4%	1.4%	2.5%	
RSH 2B	New supply delivered (Non social housing units)	0.0%	0%	0.0%	0.0%	0.0%	
RSH 3	Gearing % Assets Valuation	-383.2%	-190%	32.9%	44.1%	57.0%	
RSH 4	EBITDA MRI%	-14700.0%	-17000%	133.0%	183.0%	244.0%	
RSH 5	Headline Social housing cost per unit	£ 12,901	£ 13,720	N/A	N/A	N/A	
IH Matrix	Headline Social housing cost per unit (Omitting Lease Rent Costs)	£ 4,363	N/A	£ 3,090	£ 3,620	£ 4,600	
RSH 6 A	Operating Margin (Social housing Lettings only)	3.6%	6.30%	23.4%	29.7%	36.5%	
RSH 6B	Operating Margin	4.7%	6.30%	20.0%	27.2%	32.9%	
RSH 7	Return on Capital Employed	15.5%	22%	3.0%	3.8%	4.9%	
IH Matrix	Units per Employee	47	46	N/A	N/A	N/A	
IH Matrix	Turnover per Employee	£653	£650	N/A	N/A	N/A	
IH Matrix	Salary Costs %	5.5%	6.00%	N/A	N/A	N/A	

RSH source: Global Accounts 2018/19 VFM Metrics

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TABLE 2 - VFM METRICS IH PERFORMANCE TRENDS OVER THE PAST THREE YEARS

Number	VFM Metrics	2017/18	2018/19	2019/20	Continuous Improvement Trend
RSH 1	Reinvestment %	15.9%	0.0%	53.1%	
RSH 2A	New supply delivered (Social housing units)	14.9%	26.5%	16.1%	
RSH 2B	New supply delivered (Non social housing units)	0.0%	0.0%	0.0%	
RSH 3	Gearing % Assets Valuation	-365.1%	-590.6%	-383.2%	
RSH 4	EBITDA MRI%	-6218.5%	-15038.6%	-14700.0%	
RSH 5	Headline Social housing cost per unit	£ 11,012	£ 11,209	£ 12,901	
IH Matrix	Headline Social housing cost per unit (Omitting Lease Rent Costs)	£ 3,791	£ 3,746	£ 4,363	
RSH 6 A	Operating Margin (Social housing Lettings only)	7.4%	6.3%	3.6%	
RSH 6B	Operating Margin	7.4%	6.5%	4.7%	
RSH 7	Return on Capital Employed	28.1%	22.0%	15.5%	
IH Matrix	Units per Employee	37	45	47	
IH Matrix	Turnover per Employee	£ 432	£ 624	£653	
IH Matrix	Salary Costs %	6.8%	6.0%	5.5%	

RSH 1- REINVESTMENT

In 2017/18 IH was able to acquire three section 106 properties providing general needs accommodation in a rural setting, no suitable opportunities arose in 2018/19, however in 2019/20 a significant opportunity to purchase a small property portfolio, 13 supported housing units and funded from cash reserves.

The 2019/20 50% target detailed in table 1 has been achieved, with a further target of 40% set for 2020/21 to acquire the equivalent of £1 million of unencumbered property assets in line with the business plan.

The percentage growth exceeds the sector top quartile level of 9% due in part to the relatively low level of owned assets.

RSH 2 & 2A – NEW SUPPLY DELIVERED

New supply of social housing units peaked in 2018/19 with a healthy 26.5% level achieved just under the three-year average trend. The future trend is a slowing new supply delivered via the lease based module with a target in 2020/21 of 10%, ahead of the sector top quartile of 2.5% due in part to the lease based module allowing rapid supply of properties in response to commissioner demand.

No New supply of non-social housing units were delivered in the year in line with the business plan.

RSH 3 – GEARING % ASSETS VALAUTION

IH cash balances grew over the year by just over £2 million, alongside a static position on loan debt charged against the York head office, the movement in the matrix reflects the £1.2 million investment in unencumbered property assets. The organisation's aim is to acquire additional properties as unencumbered keeping future debt to a minimum. The matrix does not align to the IH business module in the same way as a traditional RP would due to the lease-based model.

RSH 4 – EBIDA MRI%

EBIDA MRI% measures the level of earnings by comparison to interest paid on debt, with the very low level of debt the matrix reflects a healthy position, outside of the sector norm. The year on year comparison reflects an adverse trend due to the overall surplus generated in the year.

RSH 5 – HEADLINE SOCIAL HOUSING COST PER UNIT

Headline social housing costs yearly trend is adverse due to exceptional legal costs incurred during the year dampening the overall surplus generated. The measure is outside the sector norm due to the matrix including the lease rent costs, a further IH indicator has been added removing the lease rent costs. The revised measure (£4,363) reflects a cost closer to the sector upper quartile of £4,600 per unit and significantly lower than other supported housing providers whose costs are on average £6,490 per unit (2018/19 SPBM Benchmarking).

Inclusion Housing Community Interest Company

Company registration number 06169583

Strategic Report

For the year ended 31 March 2020

RSH 6 – OPERATING MARGIN

Operating margin is low due to the exceptional legal costs incurred in the year, this is not expected to reoccur with future margins set just above 6%. The normal margin levels achieved by IH are approximately a quarter of the sector median quartile this is due to the impact of the lease rent charges incurred as an operating cost.

RSH 7 – RETURN ON CAPITAL EMPLOYED

IH return on capital is approximately four times higher than the sector, due to the strong margin generated from a small property asset base.

Compliance with Governance and Financial Viability Standard

In February 2019, the regulator of social housing (RSH) published its first regulatory judgement stating that it found IH was non-compliant in terms of both the governance and viability standards issuing a non-compliant G3/V3 assessment. In response to the regulatory engagement, IH continues to work with the regulator to address their concerns.

Governance

The Board consists of nine members, one Co-optee and one independent committee member; details of appointments at Companies House are included at Pages 1 & 2 to these Financial Statements.

The Board's role is to provide strategic direction and to govern, control and scrutinise our operations. The Board meets regularly to review the performance of the business and operate in line with the NHF excellence in governance 2015 (adapted).

The Board commissioned an independent Governance Review in 2019 through a leading UK and European Governance expert who found that the Board to be operating to a high standard in undertaking its statutory and business responsibilities.

An annual appraisal and skills assessment is completed to ensure the Board has the appropriate skills and experience to comply with the NHF Code of Governance, and the RSH Regulatory Standards ensuring the effective delivery of its Corporate Plan.

An annual self-assessment is completed and this continues to confirm that IH is fully compliant with the NHF Code of Governance. A Board improvement plan is in place to sustain and continuously improve compliance.

Insurance policies indemnify Board members and Officers against liability up to certain limits, when acting for the organisation.

Position	Name	Remuneration
Chair	Pete Ottowell	£11,028
Board Member & Chair Remuneration Committee	Guru Naidoo	£5,514
Board Member & Chair Audit & Risk Committee	Anthony Bell	£5,514
Board Member	Ian Brown	£3,859
Board Member	June Grimes	£3,859
Board Member	Kevin Harwood	£0
Board Member	Paul Redfern	£3,859
Board Member	Ruth Patterson	£3,859
Board Member	Tony Allen	£3,859
Board Co-optee	Tom Frank	£3,859
Independent Committee Member	Frank Ashton	£2,040

Inclusion Housing Community Interest Company

Company registration number 06169583

Strategic Report

For the year ended 31 March 2020

Remuneration & Governance Committee	Role
Guru Naidoo	Chair
Meets twice a year, responsible for overseeing effective governance, policy on staff & Board remuneration and Board member appraisal process	
Audit & Risk Committee	Role
Anthony Bell	Chair
Meets three times a year, responsible for overseeing standards of probity, risk management strategy alongside internal and external audit	

The remunerated Board and Committee members attended 88% of meetings in 2020/21 and are subject to regular performance appraisals.

New Board Member Appointments

R Patterson – Appointed 29th October 2019

T Allen – Appointed 23rd January 2020 (Independent member Risk & Audit Committee from 22nd August 2018)

New Committee Appointments

No new Committee appointments were made in the year.

Key Management Personnel

N Brown – Chief Executive

P Atkins – Property Director

M Dodgson – Operations Director

S Milnes – Finance Director

S Waters – Company Secretary

Pensions

The directors and key management personnel are eligible to be members of the defined contribution pension scheme. They participate in the scheme on the same terms as all eligible staff and IH contributes to the scheme on behalf of its employees.

Financial Instruments

IH uses various financial instruments, including loans and cash, and other items such as rental & trade arrears alongside trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the organisation's operations. The existence of these financial instruments exposes the organisation to a number of financial risks. The main risks arising from the organisations financial instruments are understood by the Board to be liquidity risk and credit risk.

Statement of Internal Controls

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The annual controls assurance report is reviewed & considered by board members annually at the Audit & Risk committee.

Inclusion Housing Community Interest Company

Company registration number 06169583

Strategic Report

For the year ended 31 March 2020

The system of internal control is designed to manage rather than eliminating the risk of failure to achieve business objectives and to provide reasonable assurance against material misstatement or loss.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for Audit & Risk committee and the Remuneration & Governance committee
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks
- Robust strategic and business planning processes, with detailed financial budgets, forecasts, stress testing, property investment plan and asset & liability register
- Formal HR policies for all staff
- Established approval and appraisal procedures for significant new initiatives and commitments
- Board approved financial regulations and scheme of delegation
- Robust performance reporting framework
- Internal Audit programme
- Annual Controls Assurance scrutiny from Executive Directors
- Annual review of compliance against regulatory standards

Going Concern

IH business activities and current financial position are set out in this operating and financial review. With increased cash reserves and growing resources, the IH business plan shows it is able to meet its ongoing obligations and loan covenants.

On this basis, the Board has a reasonable expectation that it has adequate resources to continue in operational existence for the near future being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

The strategic report was approved and authorised by the Board at the meeting held on the 25 August 2020 and signed on its behalf by:



.....
Mrs S Waters – Company Secretary

Date:

25th August 2020

Inclusion Housing Community Interest Company

Company registration number 06169583

Directors Report

For the year ended 31 March 2020

The Directors present their Directors report for the year ended 31 March 2020.

Directors

The directors who served the company during the year are shown on pages 1 and 2.

Statement of Compliance

The Company has chosen in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the Company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. This includes information that would have been included in the business review and the principal risks and uncertainties.

Statement of Director's Responsibilities

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) for Registered Social Housing Providers update 2018, have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Company has fully complied with the Accounting Direction for Private Registered Providers of Social Housing 2019.

A qualifying third party indemnity provision is in place for directors and officers of the Company.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Inclusion Housing Community Interest Company

Company registration number 06169583

Directors Report

For the year ended 31 March 2020

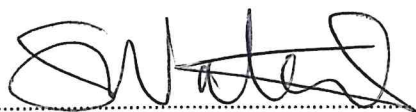
Statement as to Disclosure of Information to Auditors

So far as each director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware. They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Beever and Struthers have expressed their willingness to continue in office. Accordingly, a resolution to reappoint them as Auditors will be proposed at the forthcoming Annual General Meeting.

The directors report was approved and authorised by the Board at the meeting held on the 25 August 2020 and signed on its behalf by:



Mrs S Waters – Company Secretary

Date: 25th August 2020

Inclusion Housing Community Interest Company

Company registration number 06169583

Independent Auditor's Report to the members of Inclusion Housing Community Interest Company

Opinion

We have audited the financial statements of Inclusion Housing Community Interest Company "the Company" for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Inclusion Housing Community Interest Company

Company registration number 06169583

Independent Auditor's Report to the members of Inclusion Housing Community Interest Company

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Board's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Board's report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Board's report.

We have nothing to report in respect of the following matters in relation to which Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

In addition, we have nothing to report in respect of the following matter where the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in the Statement of Director's Responsibilities set out on page 19, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Inclusion Housing Community Interest Company

Company registration number 06169583

Independent Auditor's Report to the members of Inclusion Housing Community Interest Company

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Sue Hutchinson FCCA (Senior Statutory Auditor)

**For and on behalf of
Beever and Struthers
Statutory Auditor
St George's House
215-219 Chester Road
Manchester
M15 4JE**

Date: *25 August 2020*

Inclusion Housing Community Interest Company

Company registration number 06169583

Statement of Comprehensive Income For the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Turnover	2	37,634	28,374
Operating expenditure	2	(35,870)	(26,526)
Gain on disposal of property, plant and equipment		-	16
Operating surplus		1,764	1,864
Interest receivable	5	56	31
Interest and financing costs	6	(13)	(13)
Surplus before taxation		1,807	1,882
Taxation	7	(354)	(371)
Surplus for the year	8	1,453	1,511
Total comprehensive income for the year		1,453	1,511

All of the above results derive from the continuing operations of the Company.

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

The notes on pages 28 to 42 form an integral part of these financial statements.

The financial statements on pages 24 to 42 were approved and authorised for issue by the Board on 25 August 2020 and were signed on its behalf by:-


----- BOARD MEMBER
P Ottowell


----- BOARD MEMBER
T Allen

Inclusion Housing Community Interest Company

Company registration number 06169583


Statement of Financial Position


As at 31 March 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Housing properties	11	2,388	1,177
Other fixed assets	12	647	656
		<u>3,035</u>	<u>1,833</u>
Current assets			
Trade and other debtors	13	4,099	3,067
Cash and cash equivalents	14	9,517	7,347
		<u>13,616</u>	<u>10,414</u>
Less:			
Creditors: amounts falling due within one year	15	<u>(5,269)</u>	<u>(3,788)</u>
Net current assets		<u>8,347</u>	<u>6,626</u>
Total assets less current liabilities		<u>11,382</u>	<u>8,459</u>
Creditors: amounts falling due after more than one year	16	<u>(5,651)</u>	<u>(4,178)</u>
Provisions for liabilities	20	<u>(9)</u>	<u>(12)</u>
Total net assets		<u>5,722</u>	<u>4,269</u>
Reserves			
Income and expenditure reserve		<u>5,722</u>	<u>4,269</u>
Total reserves		<u>5,722</u>	<u>4,269</u>

The notes on pages 28 to 42 form an integral part of these financial statements.

The financial statements on pages 24 to 42 were approved and authorised for issue by the Board on 25 August 2020 and were signed on its behalf by:-


P Ottowell BOARD MEMBER


T Allen BOARD MEMBER

Inclusion Housing Community Interest Company

Company registration number 06169583

Statement of Changes in Reserves For the year ended 31 March 2020

	Income and expenditure reserve £	Total £
Balance at 1 April 2018	2,758	2,758
Surplus for the year	1,511	1,511
	<hr/>	<hr/>
Balance at 31 March 2019	4,269	4,269
	<hr/>	<hr/>
Balance at 1 April 2019	4,269	4,269
Surplus for the year	1,453	1,453
	<hr/>	<hr/>
Balance at 31 March 2020	5,722	5,722
	<hr/>	<hr/>

The notes on pages 28 to 42 form an integral part of these financial statements.

Inclusion Housing Community Interest Company

Company registration number 06169583

Statement of Cash Flows For the year ended 31 March 2020

	2020	2019
	£'000	£'000
Cash flow from operating activities (note 1)	3,703	2,621
Interest paid	(13)	(13)
Taxation paid	(411)	(499)
	<hr/>	<hr/>
Net cash generated from operating activities	3,279	2,109
Cash flow from investing activities		
Purchase of tangible fixed assets	(1,293)	(18)
Grants received	158	476
Interest received	56	31
	<hr/>	<hr/>
	(1,079)	489
Cash flow from financing activities		
Repayments of borrowings	(30)	(30)
	<hr/>	<hr/>
	(30)	(30)
Net change in cash and cash equivalents	2,170	2,568
Cash and cash equivalents at beginning of year	7,347	4,779
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	9,517	7,347
	<hr/> <hr/>	<hr/> <hr/>
Note 1		
Surplus for the year	1,453	1,511
Adjustments for:		
Depreciation of tangible fixed assets	91	76
Grants utilised in the year	(76)	(476)
Increase in trade and other debtors	(1,032)	(1,388)
Increase in trade and other creditors	2,956	2,561
Gain on disposal of tangible fixed assets	-	(16)
Interest payable	13	13
Interest receivable	(56)	(31)
Taxation	354	371
	<hr/>	<hr/>
	3,703	2,621
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 28 to 42 form an integral part of these financial statements.

Inclusion Housing Community Interest Company

Company registration number 06169583

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

1. Principal accounting policies

Inclusion Housing Community Interest Company is a private company, limited by guarantee, registered in England and Wales and is registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing. The registered office is 106 Heworth Green, York, YO31 7TQ.

Basis of accounting

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2018.

The financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The financial statements are prepared on the historical cost basis of accounting and are presented in sterling £, which is the functional currency of the Company, and rounded to the nearest £'000.

The financial statements have been prepared in compliance with FRS 102. In complying with FRS 102 the Company meets the definition of a public benefit entity.

Going concern

The financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis based on the Company's business plan, which has been subjected to stress tests including the impact of COVID-19.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

a. Classification of operating leases

The Company classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership otherwise the lease is classified as an operating lease. The Company has reviewed its lease agreements and concluded that all current leases meet the criteria of an operating lease.

b. Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated economic useful lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on future investments, economic utilisation and the physical condition of the assets

c. Impairment of non-financial assets

Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

Inclusion Housing Community Interest Company

Company registration number 06169583

Notes to the Financial Statements

For the year ended 31 March 2020

1. Principal accounting policies (continued)

Tangible fixed assets

Housing properties

Social housing properties are stated at cost less accumulated depreciation. Cost includes costs directly attributable to making the asset capable of operating as intended such as the cost of acquiring land and buildings, developments costs, interest charges on loans during the development period and expenditure on improvements. Expenditure on improvements will only be capitalised when it results in incremental future benefits such as increasing rental income, reducing maintenance costs or resulting in a significant extension of the useful economic life of the property.

Major components of housing properties are depreciated at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Structure	50 years
Heating and plumbing – boiler	15 years
Kitchens	15 – 20 years
Bathrooms	15 – 30 years
Windows and doors	30 – 35 years
Rewire	25 – 40 years

Freehold land is not depreciated. Housing properties under construction are not depreciated until they are in use and the useful economic lives of all tangible fixed assets are reviewed annually.

Other

Other tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Buildings – freehold (structure)	50 years
Fixtures and fittings	4 years

Leasehold properties

Alterations to leasehold properties are charged to the income and expenditure account at the point expenditure occurs.

Leases

Rentals payable and receivable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Lease payments are recognised as an expense in the year they become due.

Debtors and creditors receivable / payable within one year

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

Inclusion Housing Community Interest Company

Company registration number 06169583

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

1. Principal accounting policies (continued)

Interest payable

Interest is allocated at a constant rate on the carrying amount over the period of the loan, charged to the income and expenditure account in the year.

Financial Instruments

The Company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Financial instruments, which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102, are accounted for under an amortised historical cost model.

Taxation

Current tax represents the amount of tax payable or receivable in respect of taxable income for the current or past reporting periods. It is measured at the amount expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods. It is recognised in respect of all timing differences, with certain exceptions. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expense 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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences. Deferred tax on revalued non-depreciable tangible fixed assets and investment properties is measured using the rates and allowances that apply to the sale of the asset.

Value Added Tax

The activities of the Company are partially exempt from VAT. Because of the small amounts involved, expenditure is shown gross and the VAT recovered is included in other interest receivable and similar income. Irrecoverable VAT which can be attributed to a capital item or operating expenditure is added to the cost of the capital item or expenses where practicable and material.

Turnover and revenue recognition

Turnover is measured at the fair value of the consideration received or receivable net of VAT and trade discounts. The policies adopted for the recognition of turnover are as follows:

Turnover represents rental and service charges income receivable in the year net of rent and service charge losses from voids, non-government revenue grants and development fees. Development fees are received to support the costs incurred in bringing new schemes into management ensuring the property is constructed / refurbished to the agreed specification and quality. Income is recognised at the point of either property coming into management or during the construction period of new build properties.

As the company is registered for VAT, such income is stated net of VAT where applicable.

Interest income is recognised using the effective interest method.

Inclusion Housing Community Interest Company

Company registration number 06169583

Notes to the Financial Statements

For the year ended 31 March 2020

1. Principal accounting policies (continued)

Voids self – insurance

The weekly rent charge includes an allowance for void expenses in the event of a unit in management becoming empty for a period at some point in the future. The intended purpose is to fund costs incurred by the company during periods when the unit is not occupied. The void charge is extracted from the income collected and initially presented as deferred income on the balance sheet. Income is recognised when a void loss on these properties occurs.

Sinking fund

The weekly rent charge includes a sinking fund allowance to be utilised for the future replacement of major property components at each scheme forming part of the lease obligations. The sum being collected per unit in management has been tested against the 30-year investment plan and found to adequately cover the future component replacement lease liabilities. The sinking fund deferred income is reflected in creditors and as liquid assets in a separately identified bank account.

Revenue Grants

Revenue grants have been provided to the company for a number of purposes including:

- Subsidising the lease rent over the twenty-year life of the lease. The grant is released on a straight line basis to income during the year, the liquid assets transferred to the current account and the balance of grant reflected in creditors and as liquid assets in a separately identifiable bank account.
- Property investment funds to support works to transferred schemes into management, funds recognised as income on a matching basis as expenditure is incurred. The balance of the grant is reflected as short-term creditors.
- Short-term lease cost subsidies in place to support the business during the initial period a new scheme comes into management ahead of full occupation.
- Five-year void pot – to support specific schemes on the expiry of the void's agreement with the care provider. Monies held in a separately identifiable bank account and grant reflected as a creditor greater than one year.
- Short-term void pots in place to support the business during the initial period a new scheme comes into management ahead of full occupation balance of the grant reflected in creditors and as liquid assets in a separately identifiable bank account.

The grants are recognised on the performance model methodology.

SDLT Liability

Cash funds equivalent to the Stamp Duty Land Tax liability due on the 20-year anniversary of a lease is included in creditors falling due after one year. The cash is held in a separately identifiable bank account.

Employee benefits

When employees have rendered service to the Company, short-term employee benefits to which the employees are entitled are recognised at the undiscounted amount expected to be paid in exchange for that service.

The Company operates a defined contribution plan for the benefit of its employees. Contributions are expensed as they become payable.

Inclusion Housing Community Interest Company

Company registration number 06169583

Notes to the Financial Statements

For the year ended 31 March 2020

2. Particulars of turnover, operating expenditure and operating surplus	2020		
	Turnover £'000	Operating Expenditure £'000	Operating Surplus £'000
Social housing lettings (see note 3)	36,222	(35,152)	1,304
Other social housing activities			
Charges for support services	700	(700)	-
Other	656	(234)	422
Activities other than social housing	56	(18)	38
Total	37,634	(35,870)	1,764
2019			
	Turnover £'000	Operating Expenditure £'000	Operating Surplus £'000
Social housing lettings (see note 3)	27,313	(25,847)	1,466
Other social housing activities			
Charges for support services	433	(433)	-
Other	541	(229)	312
Activities other than social housing	87	(17)	70
Total	28,374	(26,526)	1,848

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

3. Particulars of turnover and operating expenditure from social housing lettings

	General needs housing £'000	Supported Housing £'000	Total 2020 £'000	Restated Total 2019 £'000
Income				
Rent receivable net of identifiable service charges	35	32,818	32,853	24,688
Service charge income	-	2,597	2,597	1,946
Other grants	-	772	772	679
Total turnover from social housing lettings	35	36,187	36,222	27,313
Operating expenditure				
Management	(28)	(27,819)	(27,847)	(20,738)
Service charge costs	-	(2,346)	(2,346)	(1,553)
Routine maintenance	(4)	(1,749)	(1,753)	(1,926)
Planned maintenance	(7)	(2,643)	(2,650)	(1,552)
Major repairs	-	-	-	-
Rent losses from bad debts	-	(265)	(265)	(41)
Depreciation of housing properties	(9)	(48)	(57)	(37)
Total operating expenditure on social housing lettings	(48)	(34,870)	(34,918)	(25,847)
Operating surplus on social housing lettings	(13)	1,317	1,304	1,466
Net void losses	-	2,118	2,118	2,249

Management costs include lease rents payable of £23,513K (2019: £17,596K).

Comparative management and service charge costs have been restated to reallocate costs relating to void properties as management costs.

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

4. Accommodation owned, managed and in development	2020 No	2019 No
General needs	4	4
Supported housing	25	15
Total owned	29	19
General needs	6	6
Supported housing	2,320	1,961
Housing for older people	125	98
Total held under an operating lease	2,451	2,065
Accommodation managed for others	274	274
Total managed	2,754	2,358
Accommodation in development	535	512

The Company manages properties on behalf of Bromford Housing Association, a registered social housing provider and Lifeways.

Opening stock at 1 April 2019	2,358
New units acquired	400
Units Disposed	-4
Closing stock at 31 March 2020	2,754

5. Interest receivable	2020 £'000	2019 £'000
Bank interest receivable	56	31

6. Interest payable and similar charges	2020 £'000	2019 £'000
Loan interest	13	13

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Notes to the Financial Statements

For the year ended 31 March 2020

7. Tax	2020 £'000	2019 £'000
Analysis of charge for the year		
Current tax		
UK corporation tax at 19% (2019: 19%)	357	370
Adjustment in respect of prior years	-	3
Total current tax charge	357	373
Deferred tax		
Origination and reversal of timing differences	(1)	(2)
Adjustment in respect of prior years	(2)	-
Total deferred tax charge/(credit)	(3)	(2)
Tax on surplus on ordinary activities	354	371
Reconciliation of tax charge		
Surplus on ordinary activities before taxation	1,807	1,882
Tax on surplus at standard corporation tax rate of 19% (2019: 19%)	343	358
Effects of:		
Expenses not deductible for tax purposes	13	4
Depreciation in excess of capital allowances	-	8
Movement in short term timing differences	1	-
Adjustments in respect of previous periods	(2)	3
Deferred tax – origination and reversal of timing differences	(1)	(2)
Tax charge for the year	354	371
Deferred tax		
Deferred tax included in the Statement of Financial Position is as follows:		
Included in provisions for liabilities (note 20)	9	12

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

8. Surplus for the year	2020 £'000	2019 £'000
Is stated after charging/(crediting):		
Auditors' remuneration (excluding VAT):		
In their capacity as auditors	18	16
In respect of other services	6	-
Depreciation of housing properties	57	37
Depreciation of other tangible fixed assets	34	39
(Gain) on disposal of fixed assets	-	(16)
Operating lease rentals	23,513	17,596
	<u> </u>	<u> </u>

9. Employee information

The average monthly number of employees expressed in full time equivalents (calculated based on a standard working week of 35 hours) was:

	2020 No	2019 No
Key management personnel	5	5
Property	6	4
Operations	21	17
Finance	7	9
Business administration	12	11
	<u> </u>	<u> </u>
	51	46
	<u> </u>	<u> </u>

	2020 £'000	2019 £'000
Staff costs (for the above persons):		
Wages and salaries	1,628	1,361
Social security costs	151	125
Other pension costs	91	61
	<u> </u>	<u> </u>
	1,870	1,547
	<u> </u>	<u> </u>

Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the year	2020 No	2019 No
£60,000 – £70,000	-	3
£70,001 – £80,000	-	1
£80,001 – £90,000	4	-
£90,001 – £100,000	-	1
£100,001 – £110,000	1	-
	<u> </u>	<u> </u>
	5	5
	<u> </u>	<u> </u>

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Notes to the Financial Statements

For the year ended 31 March 2020

10. Key management personnel emoluments

Key management personnel are defined as Board members, the Chief Executive and Executive Team.

The remuneration paid to the Directors of the Company was:	2020 £'000	2019 £'000
Executive Directors		
Salaries and wages	406	366
Pension contributions	31	24
	<u>437</u>	<u>390</u>
Board members emoluments	54	48
	<u>491</u>	<u>438</u>
Emoluments: paid to the highest paid Director (the Chief Executive)		
(Excluding pension contributions)	102	93
	<u>102</u>	<u>93</u>

The Chief Executive is an ordinary member of the Company's defined contribution pension scheme. No enhanced or special terms apply. There are no additional pension arrangements. A contribution of £8K (2019: £6K) was made by the Company in addition to the personal contributions of the Chief Executive.

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

11. Housing properties

	Social housing properties for letting completed £'000	Improvements to properties £'000	Total £'000
Cost			
At 1 April 2019	1,368	28	1,396
Additions – completed properties acquired	1,268	-	1,268
Disposals	(27)	(28)	(55)
At 31 March 2020	2,609	-	2,609
Depreciation			
At 1 April 2019	196	23	219
Charge for the year	52	5	57
Eliminated on disposals	(27)	(28)	(55)
At 31 March 2020	221	-	221
Net book value			
At 31 March 2020	2,388	-	2,388
At 31 March 2019	1,172	5	1,177
Housing properties comprise:			
		2020	2019
		£'000	£'000
Freeholds		2,388	1,177
		2,388	1,177

Included in freehold social housing property is a property acquired in 2011 for £1 and valued at £616,982 for insurance purposes. This property is kept in perpetuity for social purpose; future disposal is restricted under the terms of the transfer agreement.

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

12. Other fixed assets	Freehold Office £'000	Furniture and equipment £'000	Computer equipment £'000	Total £'000
Cost				
At 1 April 2019	650	2	103	755
Additions	-	-	25	25
Disposals	-	-	(8)	(8)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2020	650	2	120	772
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 April 2019	30	1	68	99
Charge for the year	15	1	18	34
Eliminated on disposals	-	-	(8)	(8)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2020	45	2	78	125
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2020	605	-	42	647
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019	620	1	35	656
	<hr/>	<hr/>	<hr/>	<hr/>

Inclusion Housing Community Interest Company

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

13. Debtors	2020	2019
	£'000	£'000
Amounts falling due within one year:		
Rental debtors	2,303	1,557
<u>Less: Provision for bad debts</u>	<u>(224)</u>	<u>(76)</u>
	2,079	1,481
Sales ledger balances	1,588	1,284
Prepayments and accrued income	402	261
Other debtors	30	41
	<u>4,099</u>	<u>3,067</u>
14. Cash and cash equivalents	2020	2019
	£'000	£'000
Cash equivalents	2,252	1,580
Cash at bank	7,265	5,767
	<u>9,517</u>	<u>7,347</u>
<p>Cash and cash equivalents includes £Nil (2019: £360,651) in respect of an Escrow account that is in the name of the Company and the other party of the agreement. Transactions on the account are subject to the agreement of both parties and the monies held in the account could not be expended until five years had elapsed from the commencement of the agreement.</p>		
15. Creditors: Amounts falling due within one year	2020	2019
	£'000	£'000
Bank loans and overdrafts	30	30
Trade creditors	2,290	2,320
Taxation	133	187
Rents in advance	338	213
Accruals and deferred income	1,903	812
Deferred revenue grants (note 19)	444	146
Other taxation and social security	87	68
Other creditors	44	12
	<u>5,269</u>	<u>3,788</u>
16. Creditors: Amounts falling due after more than one year	2020	2019
	£'000	£'000
Bank loans and overdrafts	337	366
Sinking fund	3,874	2,482
Deferred revenue grants (note 19)	705	921
Five year void pot	687	361
SDLT reserves	48	48
	<u>5,651</u>	<u>4,178</u>

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

17. Operating leases

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

	2020 £'000	2019 £'000
Not later than one year	24,564	21,472
Later than one year and not later than five years	100,474	83,579
Later than five years	368,204	326,174
	<u>493,242</u>	<u>431,225</u>

18. Secured debt

The following secured debts are included within creditors.

	2020 £'000	2019 £'000
Bank loan	<u>367</u>	<u>396</u>
	<u>367</u>	<u>396</u>

The above bank loan is secured on the office property in note 12.

19. Deferred grant income

	2020 £'000	2019 £'000
At 1 April 2019	1,067	801
Grant received in the year	158	387
Grant released to income in the year	(76)	(121)
At 31 March 2020	<u>1,149</u>	<u>1,067</u>
Amounts due to be released < 1 year	444	146
Amounts due to be released > 1 year	<u>705</u>	<u>921</u>
	<u>1,149</u>	<u>1,067</u>

The weekly rent charge includes an allowance for void expenses in the event of a unit in management becoming empty for a period at some point in the future. The intended purpose is to fund costs incurred by the company during periods when the unit is not occupied. The void charge is extracted from the income collected and initially presented as deferred income on the balance sheet. Income is recognised when a void loss on these properties occurs.

20. Provisions for Liabilities

	2020 £'000	2019 £'000
Deferred Tax – Accelerated Capital Allowances	<u>9</u>	<u>12</u>

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

21. Capital commitments	2020 £'000	2019 £'000
Capital expenditure that has been contracted for but has not been provided for in the accounts:	-	-
Capital expenditure that has been authorised by the Board but has not yet been contracted for:	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
	<u><u>1,000</u></u>	<u><u>1,000</u></u>
It is intended that this anticipated capital expenditure will be financed in the next 12 months by:	£'000	£'000
Cash reserves	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
	<u><u>1,000</u></u>	<u><u>1,000</u></u>

22. Contingent liabilities

At the balance sheet date there were no contingent liabilities (2019: £Nil).

23. Pension scheme

The Company operates a defined contribution scheme for its employees.

The costs for the year were £91K (2019: £61K).

Total outstanding contributions as at 31 March 2020 were £15K (2019: £10K).

24. Analysis of changes in net debt

	At 1 April 2019 £'000	Cash flows £'000	Other non- cash changes £'000	At 31 March 2020 £'000
Cash at bank	5,767	1,498	-	7,265
Cash equivalents	1,580	672	-	2,252
Loans falling due within one year	(30)	-	-	(30)
Loans falling due after more than one year	(366)	29	-	(337)
	<u>6,951</u>	<u>2,199</u>	<u>-</u>	<u>9,150</u>
	<u><u>6,951</u></u>	<u><u>2,199</u></u>	<u><u>-</u></u>	<u><u>9,150</u></u>

25. Post balance sheet events

On 17 July 2020 the Board approved a restructure of the company with two new companies to form a Group. Inclusion Group Limited was formed on 17 July 2020 and will be the parent company in the new Group structure. Inclusion Property Holdings Limited, incorporated on 27 July 2020, and Inclusion Housing Community Interest Company will be subsidiaries of the parent company.