

Orwell Housing Association Limited

Report and Consolidated Financial Statements

Year Ended

31 December 2020

Co-operative and Community Benefit Societies Act 2014

Registration No 16460R

ORWELL HOUSING ASSOCIATION LIMITED

Annual report and financial statements for the year ended 31 December 2020

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ORWELL HOUSING ASSOCIATION LIMITED

Officers and general information

Board (elected unless otherwise stated)

Kim Newman BSc (Hons) FCIPS MCMI
– Chair – *G R*

Robyn Llewellyn
– Vice Chair – *A G R*

Cynthia Alers MBA MA MIRSoc – *A G*

Jeanette Alfano BTech (Hons) MBA CITP
– *A G R*

Dayle Bayliss BSc (Hons) MSc MBA FRICS

C. Build E FCABE MCIQB CMgr MCMI

(appointed 25 March 2020) – *A*

Helen Driver BA (Hons) CFA CFAB
DiPFA – *A R*

Daniel Gaul BSc (Eng) MSc – *G*

Peter Jones (retired 25 March 2020)

Ian Pinches FCCA FRSA

(appointed 25 March 2020) – *A R*

Brett Rennolds MBA Dip MC

(appointed 25 March 2020) – *G*

Alastair Thomas BSc (Hons) FRICS – *R*

Barbara Thorndick OBE BA (Hons) FCIOH
– *A G R*

Committee membership key

Audit Committee – *A*

Governance Committee – *G*

Remuneration and

Nominations Committee – *R*

Chief Executive

Wendy Evans-Hendrick BA (Hons) Dip DM DMS

Director of Care and Support

Rowan Procter BSc (Hons) Dip CHN (appointed 1 June 2020)

Director of Customers and Communities

Cairistine Foster-Cannan BA (Hons) FCMI (appointed 18 January 2021)

Director of Housing

Paul Kingston MBA FCIH DMS MCMI

Director of People and Culture

Michelle Harrison FCIPD (appointed 1 June 2020)

Director of Resources and Growth

Christopher Wyer FCCA

Registered office

Crane Hill Lodge, 325 London Road, Ipswich IP2 0BE

Bankers

Affordable Housing Finance, 3rd Floor, 17 St Swithin's Lane, London EC4N 8AL

Handelsbanken, Unit 1, Grafton House, Russell Road, Ipswich IP1 2AG

Lloyds TSB Bank plc, 13 Cornhill, Ipswich IP1 1DG

Royal Bank of Scotland plc, 135 Bishopsgate, London EC2M 3UR

ORWELL HOUSING ASSOCIATION LIMITED

Officers and general information (Continued)

Solicitors

Anthony Collins, 134 Edmund Street, Birmingham B3 2ES
Devonshires, 30 Finsbury Circus, London EC2M 7DT
Mills and Reeve, 1 St James Court, WhiteFriars, Norwich NR3 1BR

External Auditor

Crowe U.K. LLP, 55 Ludgate Hill, London, EC4M 7JW

Internal Auditor

KPMG LLP (UK), Dragonfly House, 2 Gilders Way, Norwich NR3 1UB

Social Housing Regulator

Registration No L0028

Co-operative and Community Benefit Society

Registration No 16460R

ORWELL HOUSING ASSOCIATION LIMITED

Chair's Report for the year ended 31 December 2020

As I reflect on the last year, we are now over 12 months into the Covid-19 pandemic. No one could have predicted the impact of the pandemic or the changes we would have to make, but I'm very proud of the quick and decisive response we made to protect our residents, staff and most vulnerable customers in our care settings. The investment made over the last few years in IT and other systems meant that we were able to switch seamlessly to remote working whilst still providing essential services and of course, we have all adapted to new communication channels as a result.

I am acutely aware of the challenges that lie ahead for our residents and am very proud of the commitment and hard work of all colleagues at Orwell who have had to adopt new ways of working at very short notice. Orwell has 'Customers' and 'Team Orwell' at the heart of our core values and these have really shone through in these challenging times.

When lockdown began, we had to make a number of very quick changes to our business: our teams switched to home working but continued to provide a seamless service. With resident support we refocused our services. Inevitably, our repairs service switched to emergency repairs only and re-lets faced delays.

Our staff were able to build more flexibility around working patterns to help manage other challenges such as home schooling. Despite those other challenges, our staff volunteered additional hours at our care settings to ensure that our care staff were supported, and our most vulnerable residents remained safe. Truly an example of going above and beyond.

We put in place appropriate governance and risk arrangements and, supported by regular reporting of performance and Covid-19 impacts to provide early warning triggers, we have been effectively managing through the crisis and retained our G1:V1 status.

Despite the impact of the pandemic, we continue to deliver against our strategic plan and transformation plan and 2020 has been another strong year for Orwell. As a key part of this we have concluded the recruitment of our remaining Executive Directors during 2020 and we have continued to restructure teams within the organisation.

Working with our subsidiary company Orwell Homes Limited, which has had its best year since formation, we are determined to be one of the best social landlords and providers of new, high quality, affordable homes and market sale homes within the eastern region. We'll do all we can to play our part in rebuilding the economy and tackling the housing crisis in an effective, efficient and values driven way.

We are continuing to embed our new resident governance structure with further Resident Scrutiny reviews being completed and we are in the process of recruiting two Resident Board Members. We have embedded 'making a difference' at the heart of everything we do – our care focus is what distinguishes us and sets us apart within the sector.

We are also continuing our involvement in partnership working with other housing associations and commercial organisations in the region to progress joint working, housing management and development opportunities.

Turning to the future, we launched our new strategic plan in 2019, but since we developed our new plan, clearly the world has drastically changed. Whilst our strategic focus will remain the same, we are aware that its achievement will inevitably be impacted and the Board has therefore reviewed and updated our plan accordingly. We have also developed the underlying strategies that will support delivery of the strategic plan.

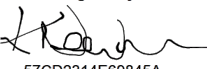
As we emerge from the pandemic we will work as one team with residents and staff to embed new ways of working. With the recruitment of our new Director of Customers and Communities, Tenant Involvement and Sustainment Team and Resident Board Members we will be re-shaping our resident involvement approach to engage residents in re-designing our services.

ORWELL HOUSING ASSOCIATION LIMITED

Chair's Report for the year ended 31 December 2020 (Continued)

We're proud to be a not-for-profit housing association and we're committed to working in ways that are fair and ethical, inclusive, co-creative and transparent and which reduce our climate impact. To deliver our ambitions, we'll rely on our great staff, involved residents and committed partners who share our values.

With 2020 now behind us, the impact of Covid-19 is still being felt across the country but with the rollout of vaccines within our care settings and across the broader population, we enter 2021 with optimism and confidence in the continuing financial strength of Orwell.

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Kim Newman, Chair

ORWELL HOUSING ASSOCIATION LIMITED

Strategic report for the year ended 31 December 2020

Principal Activities

Orwell Housing Association Limited is a Co-operative and Community Benefit Societies Act company and a Registered Provider of housing with a head office based in Ipswich, Suffolk. The Association has a diverse housing stock located throughout East Anglia which is reflective of the two main areas of focus which are:

- General needs housing, providing affordable homes for a wide range of people in housing need; and
- Supported housing, where a home, care and/or support service are provided primarily to young people, older persons, people with learning difficulties and women fleeing domestic abuse.

The Association works in partnership with other social landlords and stakeholders committed to investing and supporting the diverse and sustainable communities in which it works. During the year the Association formed Independent East with four other locally based Associations, Broadland Housing Association, Havebury Housing Partnership, Freebridge Community Housing and Saffron Housing Trust who share the common aim of investing in the local Suffolk and Norfolk community. The members of Independent East are committed to working together to improve efficiencies and share learning and resources, whilst remaining independent and best able to meet the needs of their own local communities. As a Placeshapers member, the Association is also a member of a national network of community based social housing providers, all of whom believe in putting the customer at the heart of the organisation and building homes that respond to the needs of the local communities that they serve.

The Association continues to lead the development consortium, known as e², with Freebridge Community Housing Limited, Eastlight Community Homes, Saffron Housing Trust Limited, East Suffolk District Council and Ipswich Borough Council. On behalf of the consortium, the Association has partnership status with Homes England and therefore the consortium continues to benefit from grant funding under a Framework Delivery Agreement. The Association undertakes its own development and also provides development services to other organisations, in addition to e² members. The Association is also a member of Eastern Procurement Limited, a company formed to enable organisations with similar buying needs as the Association, to benefit from joint procurement initiatives, improved quality and lower costs.

The Association has a 100% subsidiary company, Orwell Homes Limited, and the results of the company are consolidated within these financial statements and shown under the heading of Group.

Operating Review

Objectives

The direction of the Association during the year is as set out in the Association's Strategic Plan 2020-2023 and the key strategic objectives included in that document are as follows:

- Providing exceptional customer service - putting customers at the heart of what we do to ensure our decisions are driven by customers' needs and aspirations;
- Supporting our customers to have control over their future - we aim to support them to be independent and have the greatest chance to be healthy, happy and safe;
- Making a positive social impact in our diverse communities - through better understanding of needs and developing services that make a positive impact;
- Being a great employer, investing in our people and to be a company people are proud to work for;
- Providing new homes and investing in our existing homes; and
- Improving value for money, services and driving innovation and change.

Performance against all Strategic Plan objectives is reviewed by the Board at every meeting.

ORWELL HOUSING ASSOCIATION LIMITED

Strategic report for the year ended 31 December 2020 (Continued)

Objectives (continued)

The key objectives of Orwell Homes Limited are as follows:

- To utilise the skills that already exist within Orwell Housing Association Limited to develop suitable sites providing residential housing for sale on the open market;
- To provide construction services to the parent company Orwell Housing Association Limited; and
- To gift aid profit to the parent company, Orwell Housing Association Limited.

Performance against objectives is reviewed at every meeting, by the Boards of Orwell Housing Association Limited and Orwell Homes Limited.

Delivery against objectives

The Association continues to be committed to putting people and customers at the heart of the organisation and ensuring that the decisions and investments made deliver the mission of “Together we make a difference”.

The business remains strong and continues to grow despite the challenge that the pandemic and Brexit brought to the market, together with, the fourth and final year of 1% rent reduction. Costs have been kept under control and an emphasis on continually improving the efficiency of the services we provide with a focus on value for money across the business, has enabled this continued growth.

2020 has been dominated by the effects of the Covid-19 pandemic and the Association has worked hard to ensure that as far as possible, all services have continued to run as business as usual. The rapid move to agile working and closing both the head office and the regional office in Lowestoft for all but essential work, was completed extremely efficiently, and customer and employee satisfaction has remained high throughout the year despite these challenges.

The delivery of the growth objectives of developing more homes and growing the care and support service were impacted by the national lockdowns that took place throughout the year, especially the March lockdown which closed building sites and stopped house moves. This activity did pick up during the year and it is pleasing to note that a further 114 homes were added to the associations stock owned and/or in management during the year, using a combination of newbuild development and stock acquisition of 56 private rented properties which will be converted to social rented properties upon relet.

The Association continues to be an investment partner with Homes England to deliver the Affordable Homes Programme 2016-21 and remains the lead partner for the e² development consortium. The consortium plans to complete 1,170 homes by March 2022 across East Anglia. At the end of 2019, Ipswich Borough Council applied to join the e² consortium to secure funding for its council house programme and were successful in obtaining £1.4m of grant for 40 homes, of which 36 are now under construction. The Association’s Development Team continues to provide project management and sales and marketing services for projects outside of the Affordable Homes Programme, for clients such as Equinox Enterprises Limited, the private sector development company set up by Great Yarmouth Borough Council, and for East Suffolk Council.

The impact of Covid-19 has been felt most strongly across the Association’s care and support schemes and the commitment and dedication of the care staff throughout the year has been most clearly demonstrated by how they have kept people in their care safe, supported and happy during this period. Sadly, the Association did see a number of outbreaks in the Extra Care schemes that led to loss of life in a small number of cases. The pandemic also substantially increased the cost of the care and support services due to the increased need for personal protective equipment (PPE), staff illness and self-isolation. By a combination of financial support from the Government in some of the care settings to support self-isolation and testing costs, as well as good management, these costs have been controlled and despite the pandemic, the care and support division’s budget has still been delivered. The provision of care and support services remains an important part of the overall business and one

ORWELL HOUSING ASSOCIATION LIMITED**Strategic report for the year ended 31 December 2020 (Continued)**

Delivery against Objectives (continued)

which the Association is keen to continue to grow. The Association's new Strategic Plan 2021-24 sets an ambitious target to grow the number of people receiving care and/or support from the Association by at least 100 every year for the life of the plan. All of the services overseen by the Care Quality Commission, continue to achieve an overall rating of Good.

Property repairs and improvements have continued throughout the year except for the lockdown in March where only emergency repairs were allowed. The Association was able to catch up with the backlog of repairs caused by the lockdown, during the summer months. Property improvements were delayed due to the March lockdown, but the Association was still able to complete 272 kitchen and bathroom improvements in the year, as well as achieving full compliance across gas and electrical safety checks, asbestos monitoring, legionella testing and fire risk assessments. The only exception to this was one customer shielding due to the pandemic and in this instance, a risk assessment was put in place with that customer.

During the year the Association completed the restructure of its Executive Team with the Directorates of Care and Support, People and Culture and Customers and Communities being formed. Three new Directors joined the organisation, two in June 2020 and the final Director recruited in the year, joined at the beginning of 2021. This new team ensures that along with the Director of Resources and Growth and the Chief Executive the Association is in a good place to deliver on its Strategic ambitions.

The Association benefits from an empowered and motivated employee base and their continued commitment and dedication is recognised as vitally important to our future growth plans. The Association's commitment to working towards achieving Investors in People Gold demonstrates the value and importance that is placed on being a great employer.

In 2020, the Association formed a dedicated team to support enhanced customer engagement and tenancy sustainment to ensure that the right structures and resources were in place to deliver the National Housing Federation's "Together with Tenants" campaign and the Housing White Paper, which puts working with tenants and customers at the core of the business. The contribution from the Resident Steering Group, which oversees the work of the various tenant groups and scrutinises the services provided by the Association, has been invaluable in assisting in the ongoing improvement of services. In addition, it has also ensured that there is a continuing focus on delivering the type and quality of services that tenants wish to receive. In 2021, the appointment of two Resident Board members will further enhance the involvement of customers in the Association and enable the co-design of services with customers.

The scale of the Association's investment in information technology and digital platforms during 2020 demonstrates the commitment to the delivery of the Digital Strategy and its importance to the organisation. The new software system for dynamically managing property repairs was rolled out during the year and further enhancements to this system, enabling customers to dynamically book their own repairs via the tenant's portal, will be in place in 2021, moving forward the Association's self-service options for customers. The Association recognises the key risks around the data that it holds and processes and ongoing investment in cyber-security applications and training was a key feature in the year. In order to measure the progress, and identify any further areas for improvement and strengthening, the Association will be seeking the Cyber Essentials Plus accreditation early in 2021.

Property sales of both shared ownership homes for Orwell Housing Association and private house sales for Orwell Homes, have remained buoyant both in terms of sales activity and market price for the year, seeing increased sales activity following the Spring 2020 lockdown. All 4 completed private sale properties at Great Bromley sold within the year, with a further 3 exchanging for completion in the Spring of 2021.

During the year, the wholly owned subsidiary of the Association, Orwell Homes Limited, continued to provide construction services to the Association, resulting in a net saving to the Group of approximately £83,000.

ORWELL HOUSING ASSOCIATION LIMITED**Strategic report for the year ended 31 December 2020 (Continued)**

Delivery against Objectives (continued)

Whilst passing up profit under gift aid to the parent company Orwell Housing Association Limited remains a key objective of Orwell Homes Limited, since year ended December 2016 this has not taken place and will not take place again this year. This is to retain funds within Orwell Homes Limited to contribute to the financing of open market development. Once sufficient funds have been accumulated, passing up profit under gift aid to the parent company will resume at anticipated higher levels than would otherwise have been achieved.

Employee involvement

The Association strongly believes in the importance of keeping employees informed, engaging and involving them in decision making wherever possible and practicable. This information sharing takes place in various forms: through one to ones and supervisions, team meetings, through the workplace social media platform with posts and videos, and via 'Employee Voice' (the Association's Employee Forum). In respect of matters likely to impact employees' interests, discussion and consultation takes place through 'Employee Voice', as well as through specific consultation and special interest meetings where relevant. Discussions relating to both the Association's Strategic Plan and Financial Performance take place at Employee Voice meetings and are standing items on the quarterly agenda.

Disabled persons

The Association actively encourages disabled people to apply for suitable vacancies. We are committed to providing equal opportunity for all and supporting a diverse and inclusive workforce. Reasonable adjustments will be made wherever possible to support accessibility of all kinds. In common with all employees of the Association, regular support and supervision discussions and performance reviews take place and ongoing training and development opportunities are discussed, to include feedback around any additional support that may be beneficial. Where existing employees become disabled, the Association's aim will always be to support continued employment in the substantive role through provision of reasonable adjustments and involvement of external support agencies, where available; where this does not provide the necessary support, suitable alternative employment will be explored.

ORWELL HOUSING ASSOCIATION LIMITED

Strategic report for the year ended 31 December 2020 (Continued)

Operating Performance And Value For Money

Approach to Value for Money

The Association's Value for Money (VfM) Strategy balances financial health with the responsibilities to residents and social mission.

As a social purpose business, the aim of the Association is to maximise impact and demonstrate that skills and resources are being used effectively and efficiently. However, the pursuit of efficiency is not simply an exercise in cost cutting – financial health is not an end in itself, but complements and reinforces the Association's social purpose, which is embedded in the Rules, Strategic Plan and is fundamental to the Association.

A holistic and balanced approach to VfM is taken, that supports the fundamental social purpose and strategic intent of the Association. The interconnected nature of the approach recognises both social and financial value and also balances the needs of the Association's existing residents with the wider social value delivered, such as meeting future housing need or managing environmental impact.



None of these elements dominate but social value is visually prominent as it is the aspect of VfM that is least developed in the sector. Each element is important in its own right, but none of them should be considered in isolation.

VfM framework

The vision of the Association with regard to VfM is a holistic and customer-centric one, delivering quality housing and support and care services, working with stakeholders to put the ethos of “Together we make a difference” at the centre of everything that is done, in a way that is:

- Innovative
- Cost effective
- Maximises the return on investments.

VfM is focused around delivering the Association's Strategic Plan and is reliant upon meeting the ten VfM objectives included in that plan. The VfM Framework provides the structures, roles and responsibilities, as well as a description of the processes that will allow the Association to adhere to its ten VfM objectives.

ORWELL HOUSING ASSOCIATION LIMITED**Strategic report for the year ended 31 December 2020 (Continued)***Value for Money performance*

To demonstrate delivery of Value for Money, this report measures performance against the Regulator of Social Housing's (RSH) mandatory VfM Metrics, Sector Scorecard metrics and our own bespoke metrics.

As part of performance measuring, benchmark comparisons were carried out against the median score of a specially selected group of peers, comparable to the Association, and regional and national groups. For all peer and comparison groups, metric scores are sourced from 31 March 2019 audited financial statements filed with the Regulator for Social Housing, which was the most up to date information available at the time of publication.

Further performance measuring looks at 2020 actual performance, performance of the last 3 years, the target for 2019 and the target set last year for 2020. Finally, a look-forward 2021 target is also included.

Peer Group

The Association is a community-focussed housing association, owning and managing 4,000 homes in rural East of England and it is the biggest provider of support and care in Suffolk. This means that the Association's offer is not typical of the sector and as a result, performance may look very different, for example, from that of a much larger housing association operating exclusively in a built-up metropolitan area. Consequently, the selected peer group are similar, medium-sized organisations, operating wholly or mainly in East of England, with a significant proportion of their activity made up of care and support and sheltered housing for older people (HfOP). The only exception to this is the inclusion of Westward Housing, which although based in the rural South West of England, has similar levels of care and supported activity and comparable rent levels to those in the East of England. Details of the peer group are shown in the table below:

Organisation	Owned Units (Social stock)	Turnover (£,000)	% Stock in East of England	% Care and Support Owned	% Stock Sheltered/HfOP Owned
Orwell Housing	3,655	£38,513	100%	10%	12%
Hightown HA	4,272	£84,693	79%	8%	2%
The Cambridge Housing Society	2,652	£32,589	100%	7%	8%
Colne Housing Society	3,053	£19,887	100%	5%	7%
Saffron Housing	6,237	£36,062	100%	3%	11%
Broadland Housing Association Ltd	5,005	£29,139	100%	3%	12%
Axiom Housing Association Ltd (pre-merger)	2,002	£17,748	89%	11%	22%
Westward Housing	7,164	£40,185	N/A - South West (100%)	6%	10%

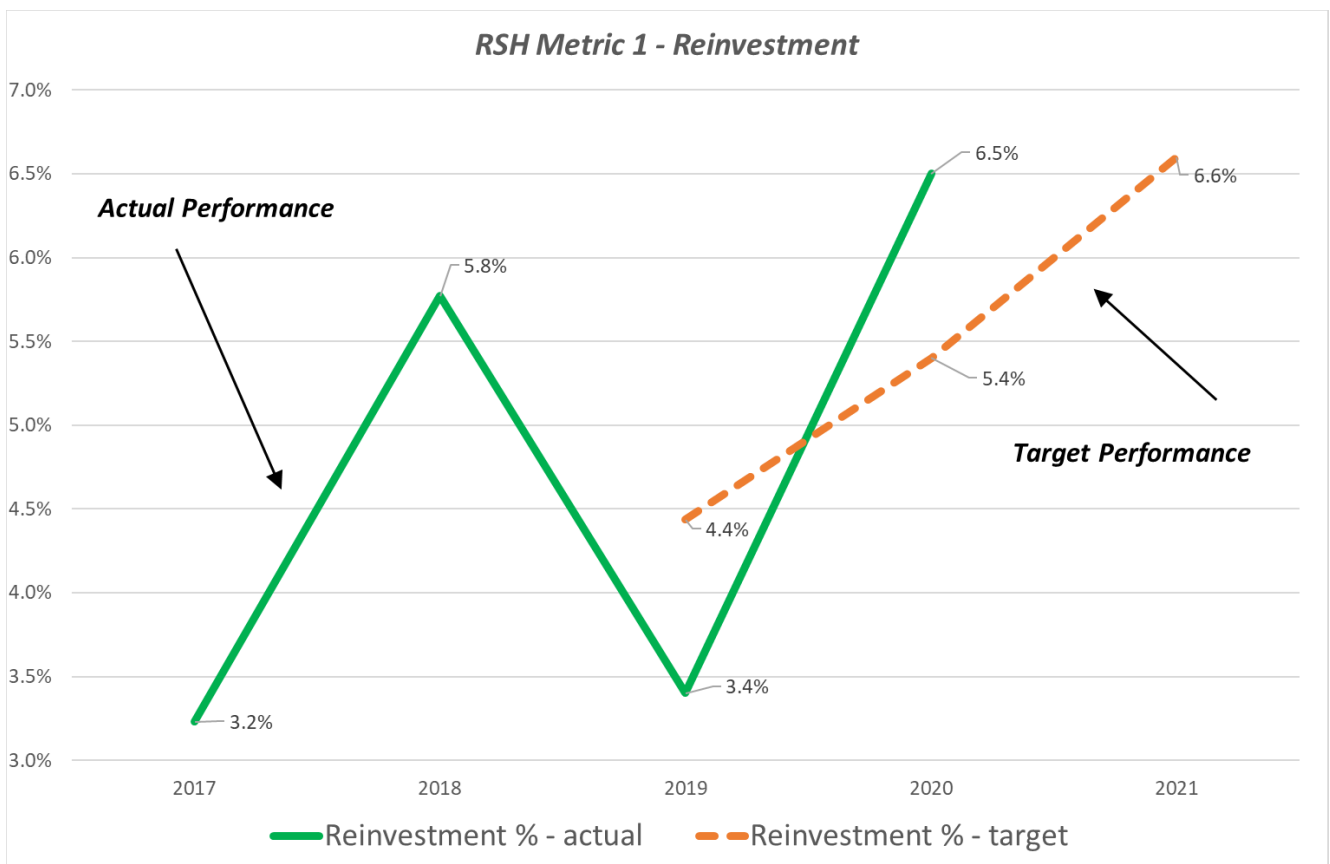
ORWELL HOUSING ASSOCIATION LIMITED**Strategic report for the year ended 31 December 2020 (Continued)*****Regulator VfM metrics***

The RSH 2018 Value for Money Standard and the associated Code of Practice, requires registered providers to report on a suite of defined performance metrics to measure economy, efficiency and effectiveness on a comparable basis across the sector. These metrics are shown below:

1. RSH Metric 1 – Reinvestment %

This metric reflects investment in properties (existing stock as well as new supply) as a percentage of the value of total properties held.

Orwell Housing	Peer group	East of England	UK
6.5%	8.8%	8.2%	6.2%



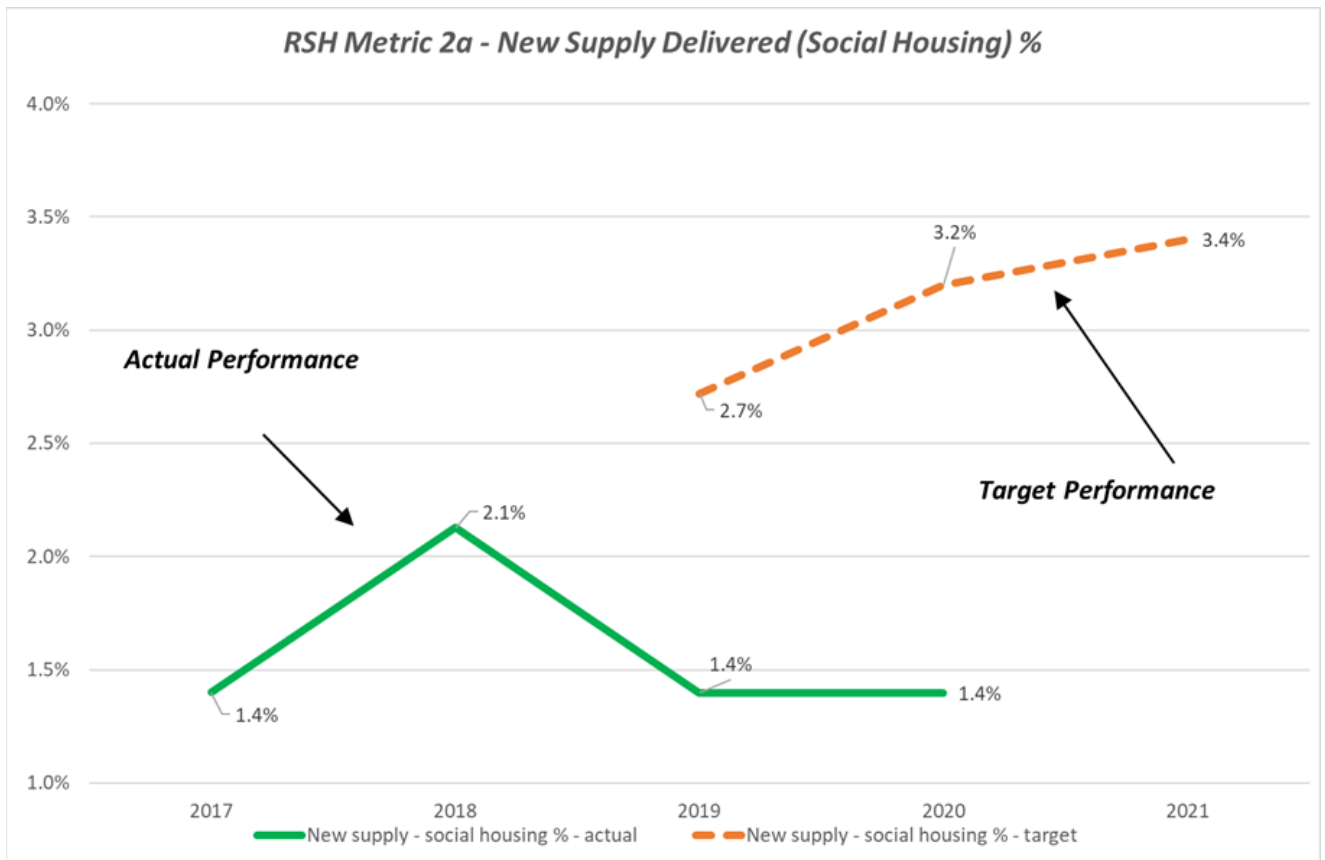
The Association, with reinvestment of 6.5% has seen an increase on last year's performance of 3.4% and has exceeded the target of 5.4%. This is due to the stock acquisition of 56 private rented properties which will be converted to social rented properties upon relet.

Projecting forward, progress on completing developments within the year has been restricted due to the Covid-19 pandemic and temporary closure of building sites. It is therefore expected that some of this shortfall experienced in 2020, will be delivered in 2021, hence a higher target of 6.6% for the coming year.

ORWELL HOUSING ASSOCIATION LIMITED**Strategic report for the year ended 31 December 2020 (Continued)***Regulator VfM metrics (continued)***2. RSH Metric 2a – New Supply Delivered (Social Housing) %**

This metric reports on the number of new social housing homes that have been acquired or developed during the year as a proportion of total social housing homes owned at period end.

Orwell Housing	Peer group	East of England	UK
1.4%	1.7%	2.5%	1.2%



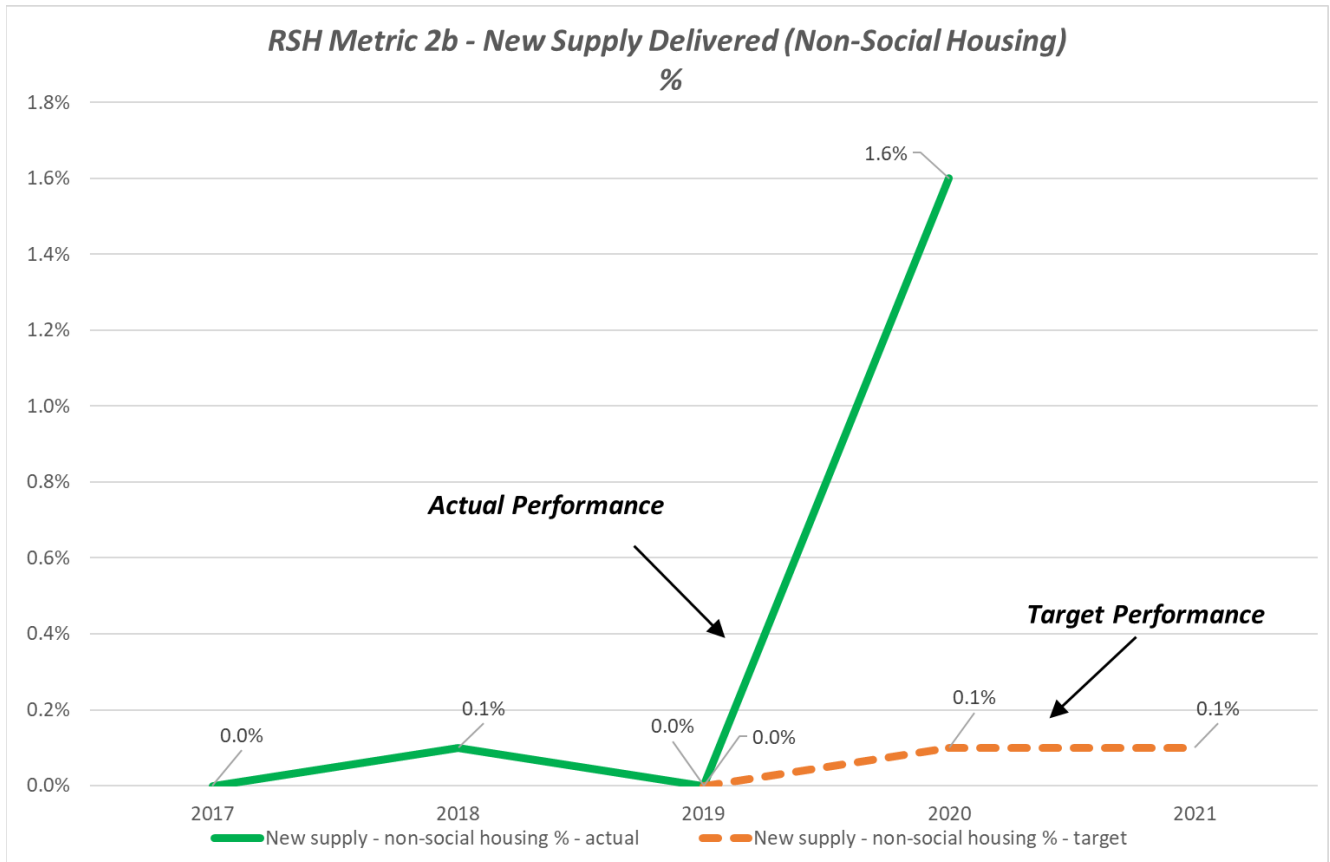
The Association, with new supply delivered of 1.4%, has failed to achieve both the 2020 target of 3.2% and also the peer group average of 1.7%. As explained in Metric 1 – reinvestment %, this was due to the temporary closure of building sites within the year.

Projecting forward, some of the shortfall experienced in 2020 is expected to be delivered in 2021, hence a higher target of 3.4% for the coming year.

ORWELL HOUSING ASSOCIATION LIMITED**Strategic report for the year ended 31 December 2020 (Continued)****Regulator VfM metrics (continued)****3. RSH Metric 2b – New Supply Delivered (Non-Social Housing) %**

This metric reports on the number of new non-social homes that have been acquired or developed during the year as a proportion of total social housing homes owned at period end.

Orwell Housing	Peer group	East of England	UK
1.6%	0.1%	0.1%	0.1%



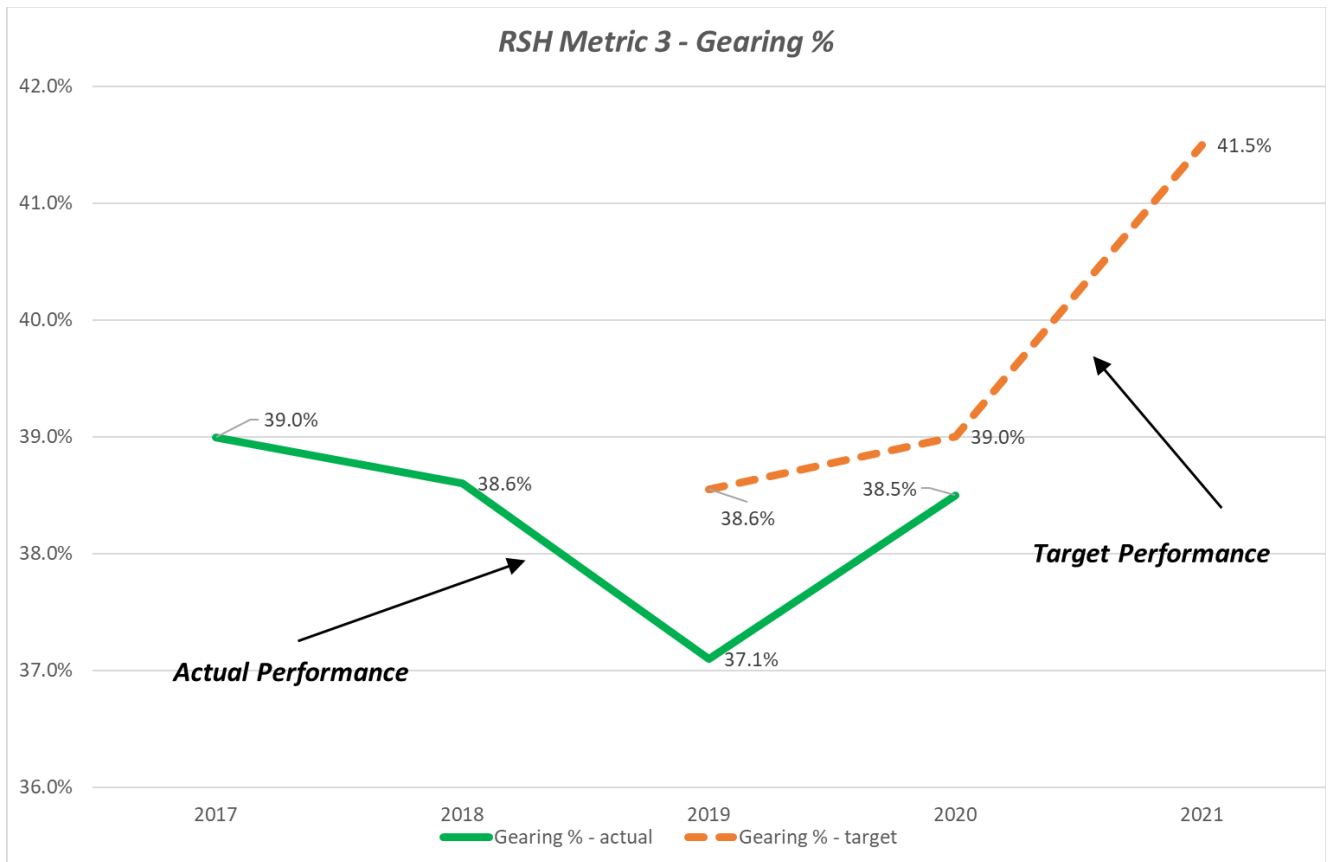
The Association, with new supply delivered of 1.6% in 2020, has far exceeded all targets and previous performance. This is due to the stock acquisition of 56 private rented properties which will be converted to social rented properties upon relet.

The target for 2021 has been set at a normal level of performance.

ORWELL HOUSING ASSOCIATION LIMITED**Strategic report for the year ended 31 December 2020 (Continued)****Regulator VfM metrics (continued)****4. RSH Metric 3 – Gearing %**

This metric assesses how much of the adjusted assets are funded by debt and the degree of dependence on debt finance. It is often a key indicator of a housing association's appetite for growth.

Orwell Housing	Peer group	East of England	UK
38.5%	49.8%	54.0%	38.4%



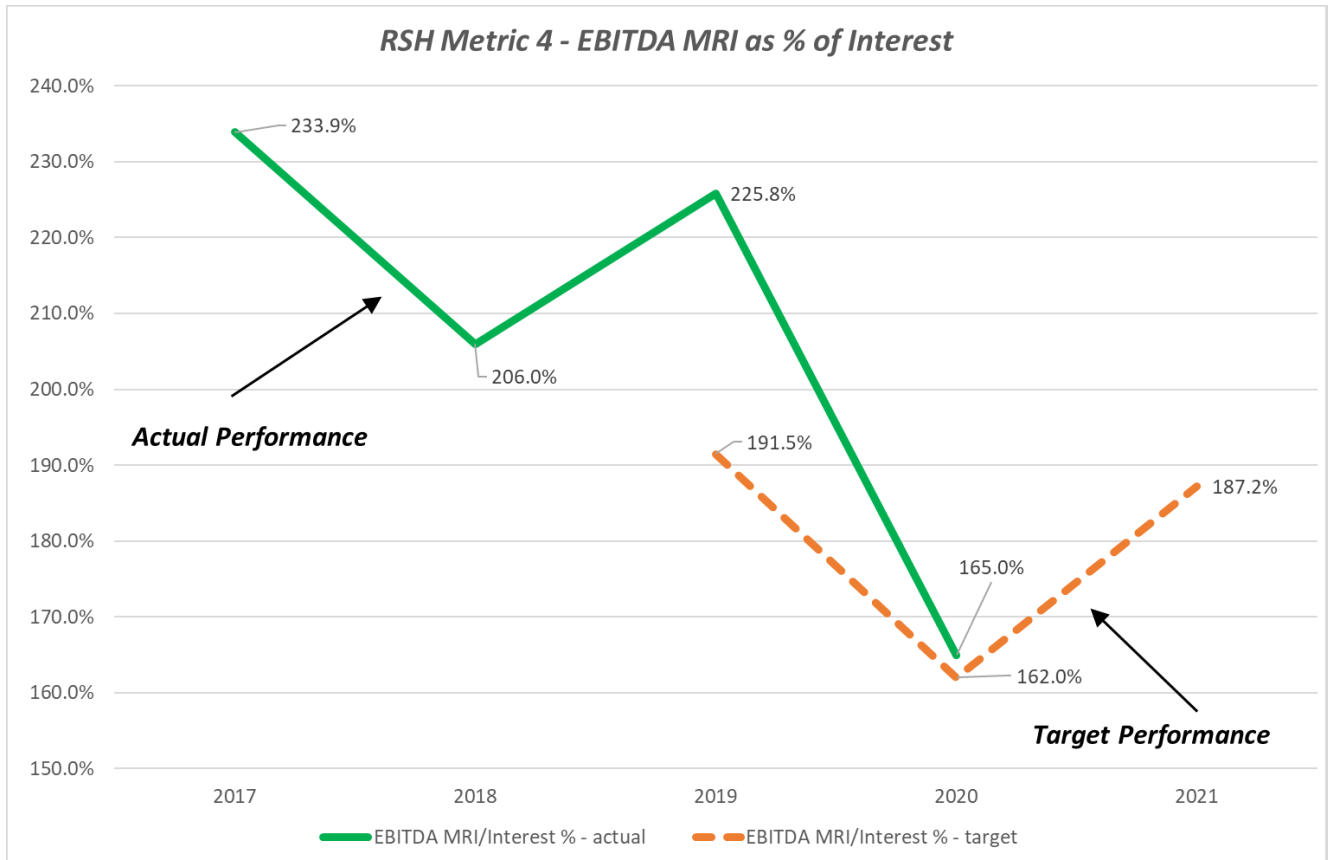
The Association's gearing ratio of 38.5% compares favourably with peer group and other comparators and is below target for the year.

The anticipated increase in gearing moving into 2021 reflects an increased level of borrowing to fund increased development activity included within the Strategic Plan 2021-2024.

ORWELL HOUSING ASSOCIATION LIMITED**Strategic report for the year ended 31 December 2020 (Continued)****Regulator VfM metrics (continued)****5. RSH Metric 4 – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) as % interest**

This metric is a key indicator of liquidity and investment capacity. It seeks to measure the level of surplus a registered provider generates to meet interest payments (the measure avoids any distortions stemming from non-cash depreciation charges).

Orwell Housing	Peer group	East of England	UK
165.0%	199.6%	172.3%	191.0%



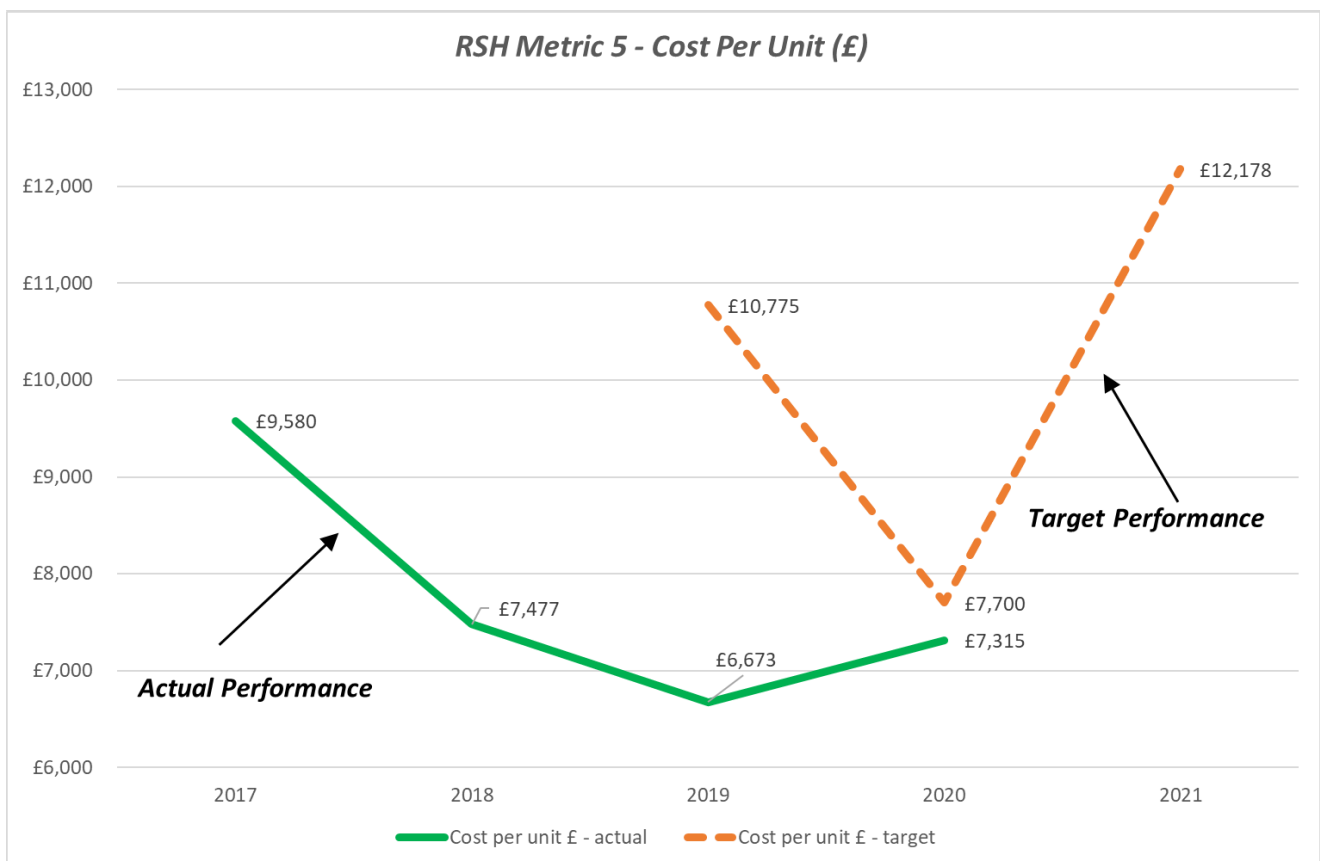
As context to this metric, 2020 was the final year of the four consecutive years of applying the 1% rent reduction and also includes further costs supporting the Transformation Project. This movement was anticipated and reflected in the target for 2020 and it is pleasing to note the actual performance of 165.0% was above the target of 162.0%.

Looking forward to 2021, it is anticipated that EBITDA will increase as rental income rises.

ORWELL HOUSING ASSOCIATION LIMITED**Strategic report for the year ended 31 December 2020 (Continued)****Regulator VfM metrics (continued)****6. RSH Metric 5 – Headline Social Housing Cost Per Unit (£)**

This metric assesses the headline social housing cost per unit as defined by the RSH.

Orwell Housing	Peer group	East of England	UK
£7,315	£4,613	£3,409	£3,592

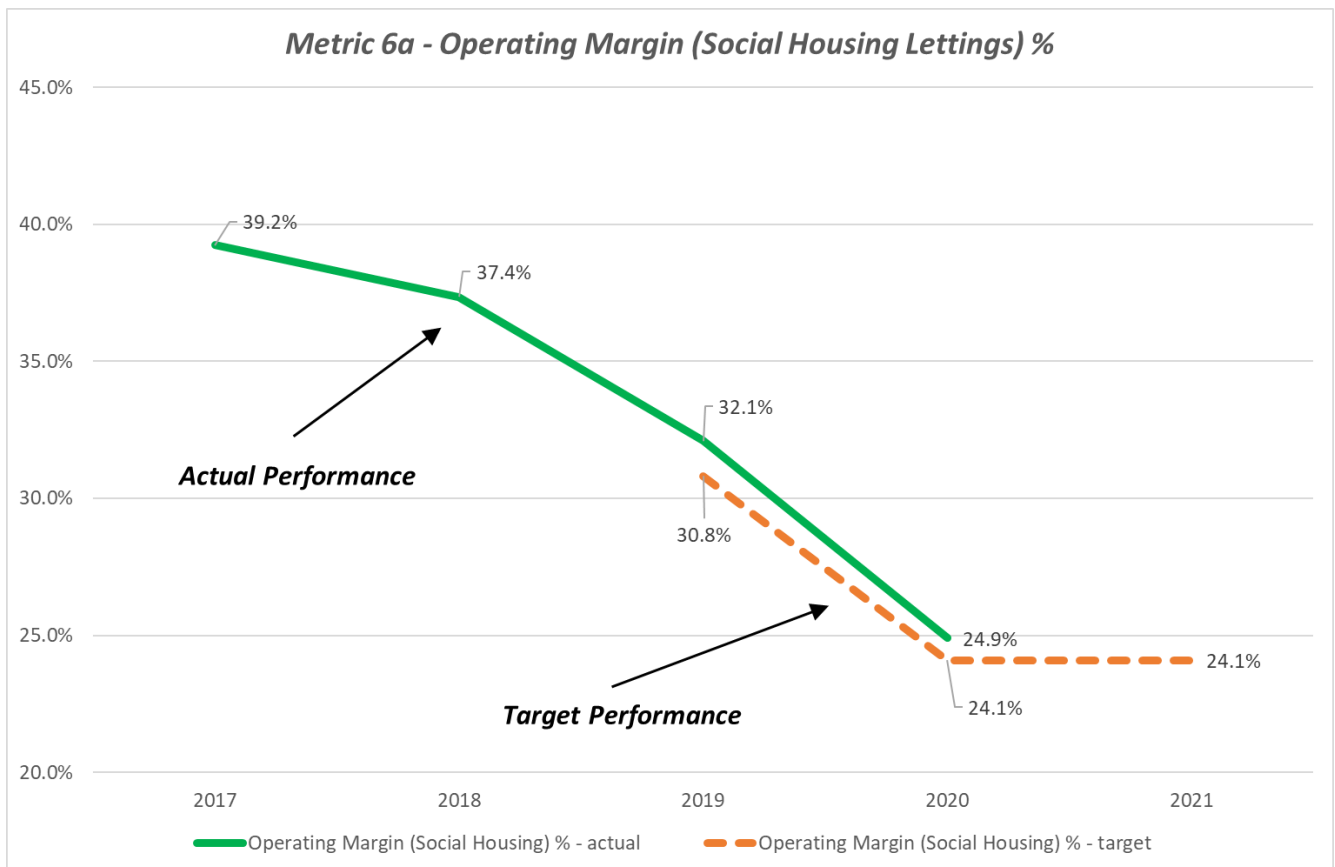


Calculation of this metric includes both support and care activities and also provision of development services (e²). Inclusion of these elements makes meaningful comparison very difficult as it makes the Association's figures higher than they would otherwise be. A more reflective measure of cost per unit performance is included within this report under metric 8.

ORWELL HOUSING ASSOCIATION LIMITED**Strategic report for the year ended 31 December 2020 (Continued)****Regulator VfM metrics (continued)****6a. RSH Metric 6a - Operating Margin (Social Housing Lettings) %**

This metric demonstrates the profitability of Social Housing operating assets before exceptional expenses are taken into account, excludes both care and support activities and also provision of development services (e²), thereby providing more meaningful comparison.

Orwell Housing	Peer group	East of England	UK
24.9%	31.7%	34.5%	28.4%



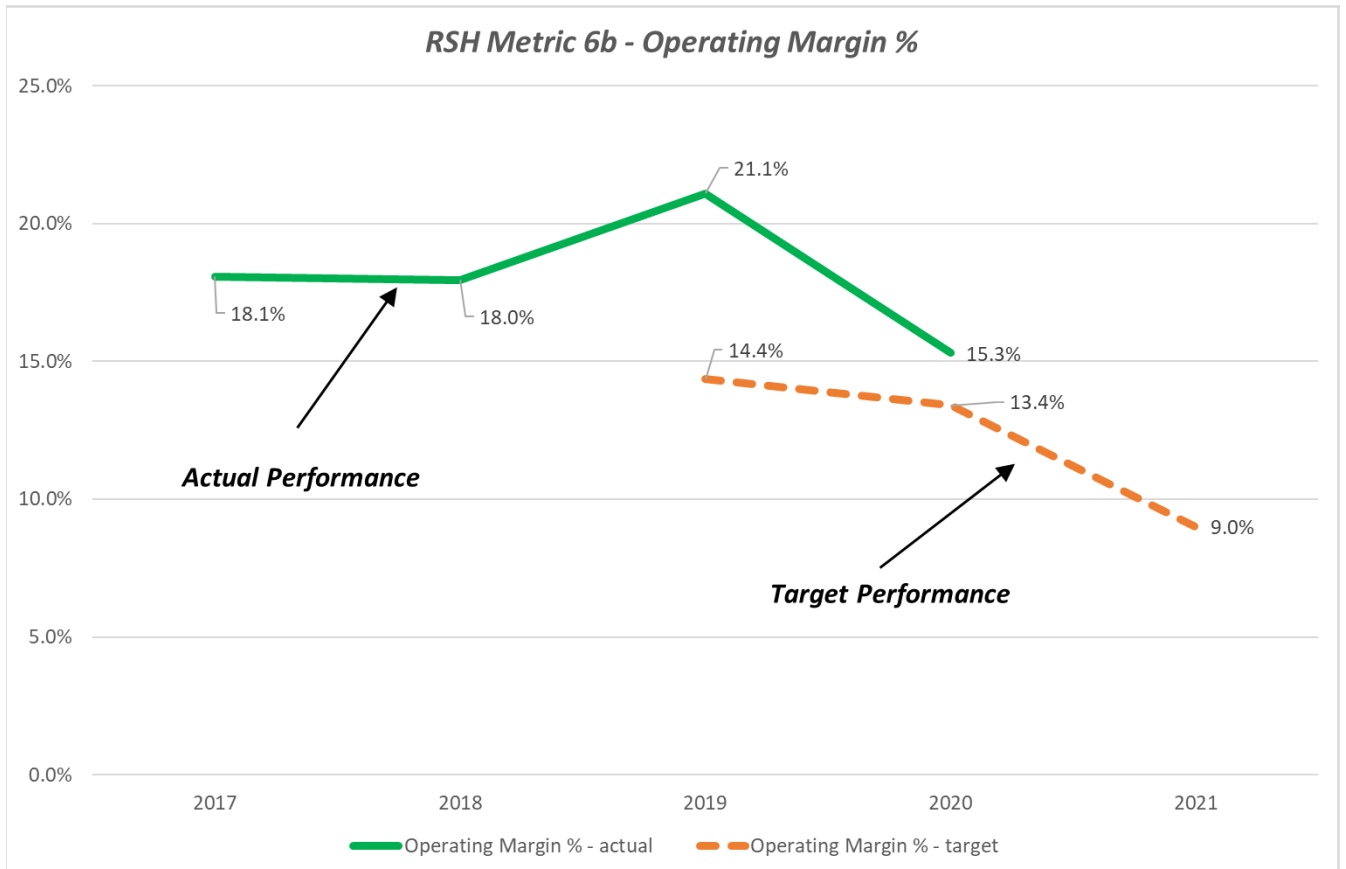
As context to this metric, 2020 was the final year of the four consecutive years of applying the 1% rent reduction and also includes further costs supporting the Transformation Project and additional annual depreciation of £1.4m on property structure. All of the above cost movements were reflected in setting the 2020 target and it is pleasing to note that the 2020 performance of 24.9% compares favourably with the target of 24.1%.

The target for 2021 has been set at a sustainable level of performance.

ORWELL HOUSING ASSOCIATION LIMITED**Strategic report for the year ended 31 December 2020 (Continued)****Regulator VfM metrics (continued)****6b. RSH Metric 6b – Operating Margin %**

This metric demonstrates the profitability of operating assets before exceptional expenses are taken into account and includes both care and support activities and also provision of development services (e²). Inclusion of these elements makes meaningful comparison very difficult and the metric above, 6a - Operating Margin (Social Housing Lettings) %, excludes these elements from the calculation and thereby provides more meaningful comparison.

Orwell Housing	Peer group	East of England	UK
15.3%	28.4%	31.3%	26.1%

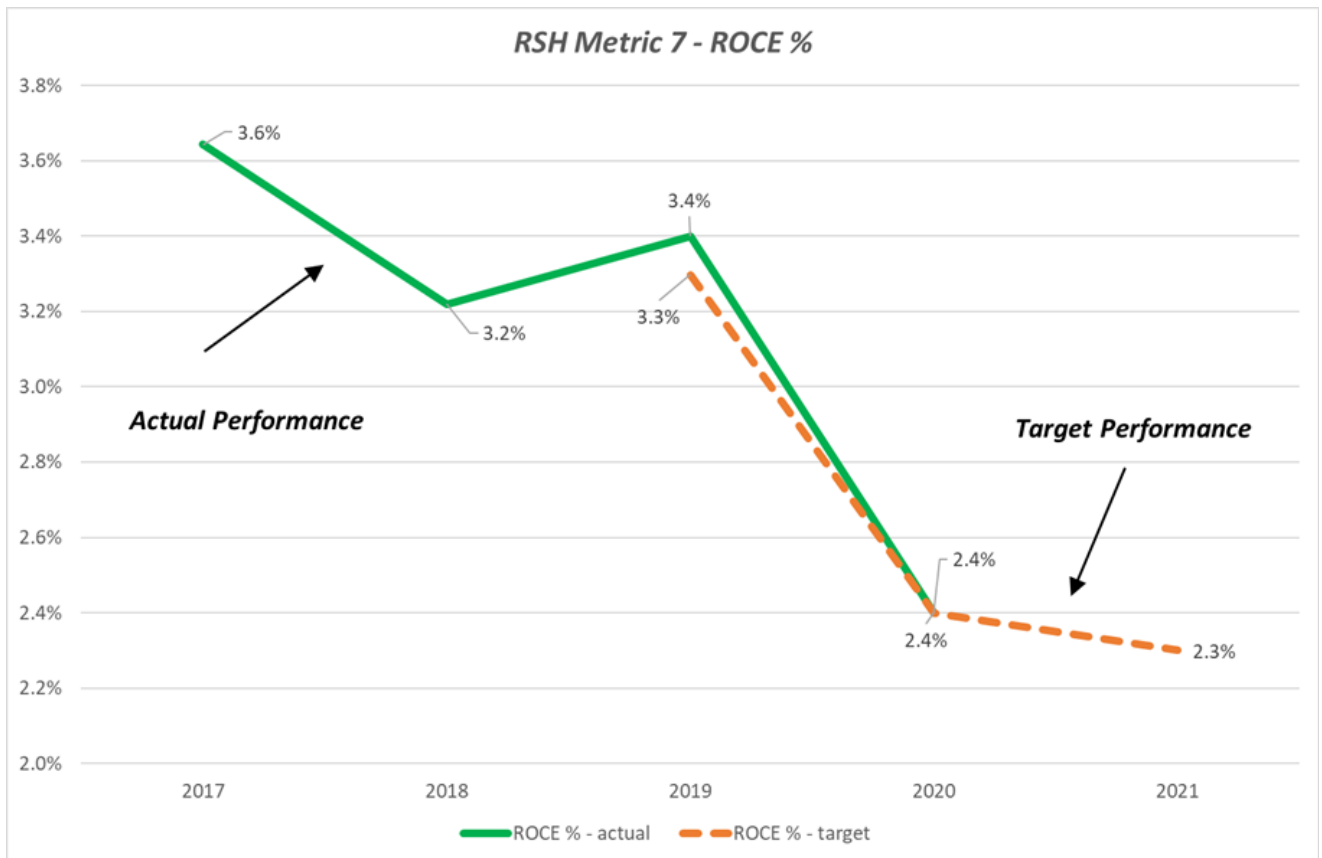


As context to this metric, 2020 was the final year of the four consecutive years of applying the 1% rent reduction. Calculation of this metric includes both support and care activities and also provision of development services (e²). Inclusion of these elements makes meaningful comparison very difficult as it makes the Association figures lower than they would otherwise be. A more reflective measure of operating margin performance is included within this report under metrics 6a and 10.

ORWELL HOUSING ASSOCIATION LIMITED**Strategic report for the year ended 31 December 2020 (Continued)****Regulator VfM metrics (continued)****7. RSH Metric 7 – Return on capital employed (ROCE) %**

This metric compares operating surplus to total assets, less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources.

Orwell Housing	Peer group	East of England	UK
2.4%	3.5%	4.0%	3.4%



As context to this metric, 2020 was the final year of the four consecutive years of applying the 1% rent reduction and also includes further costs supporting the Transformation Project and additional annual depreciation of £1.4m on property structure.

All of the above cost movements were reflected in setting the 2020 target and it is pleasing to note that the Association achieved the target level of 2.4%. In terms of comparison with peer group and other comparators the slightly lower score is mainly due to the Association having higher levels of care and support.

The target for 2021 has been set at a sustainable level of performance.

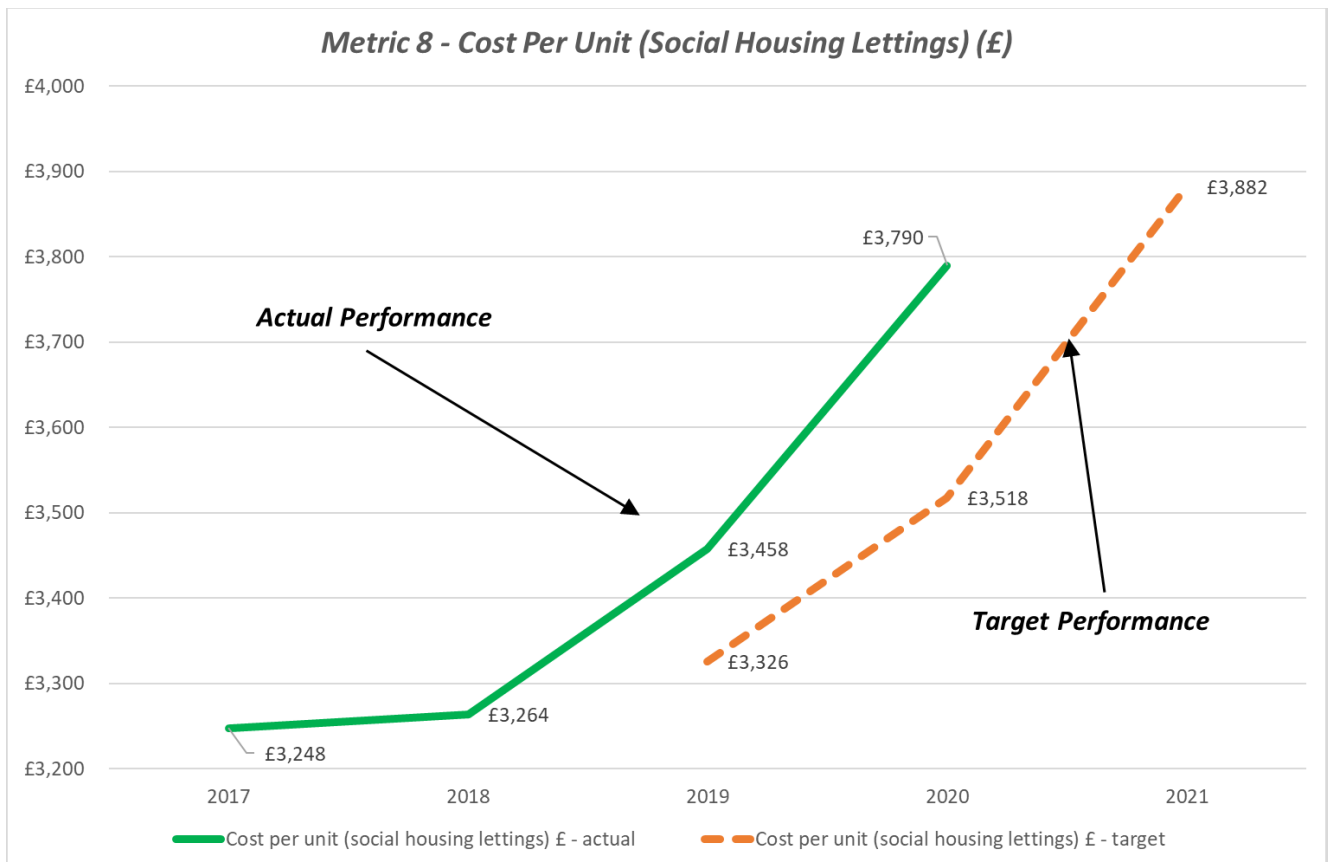
ORWELL HOUSING ASSOCIATION LIMITED**Strategic report for the year ended 31 December 2020 (Continued)***Sector Scorecard and own metrics*

In addition to the mandatory RSH metrics, Orwell monitors other metrics which add value in assessing performance, including some from the Sector Scorecard. Please note that for Sector Scorecard metrics, peer group comparative data was only available for Broadland Housing, Saffron Housing and Hightown HA.

8. Own metric - Cost Per Unit (Social Housing Lettings only) (£)

Calculation of the RSH metric number 5, Headline Social Housing cost per unit includes both care and support activities and also provision of development services (e²). Inclusion of these elements makes meaningful comparison very difficult and this metric, removes these elements from the calculation for the Association.

Orwell Housing	Peer group	East of England	UK
£3,790	£4,613	£3,409	£3,592



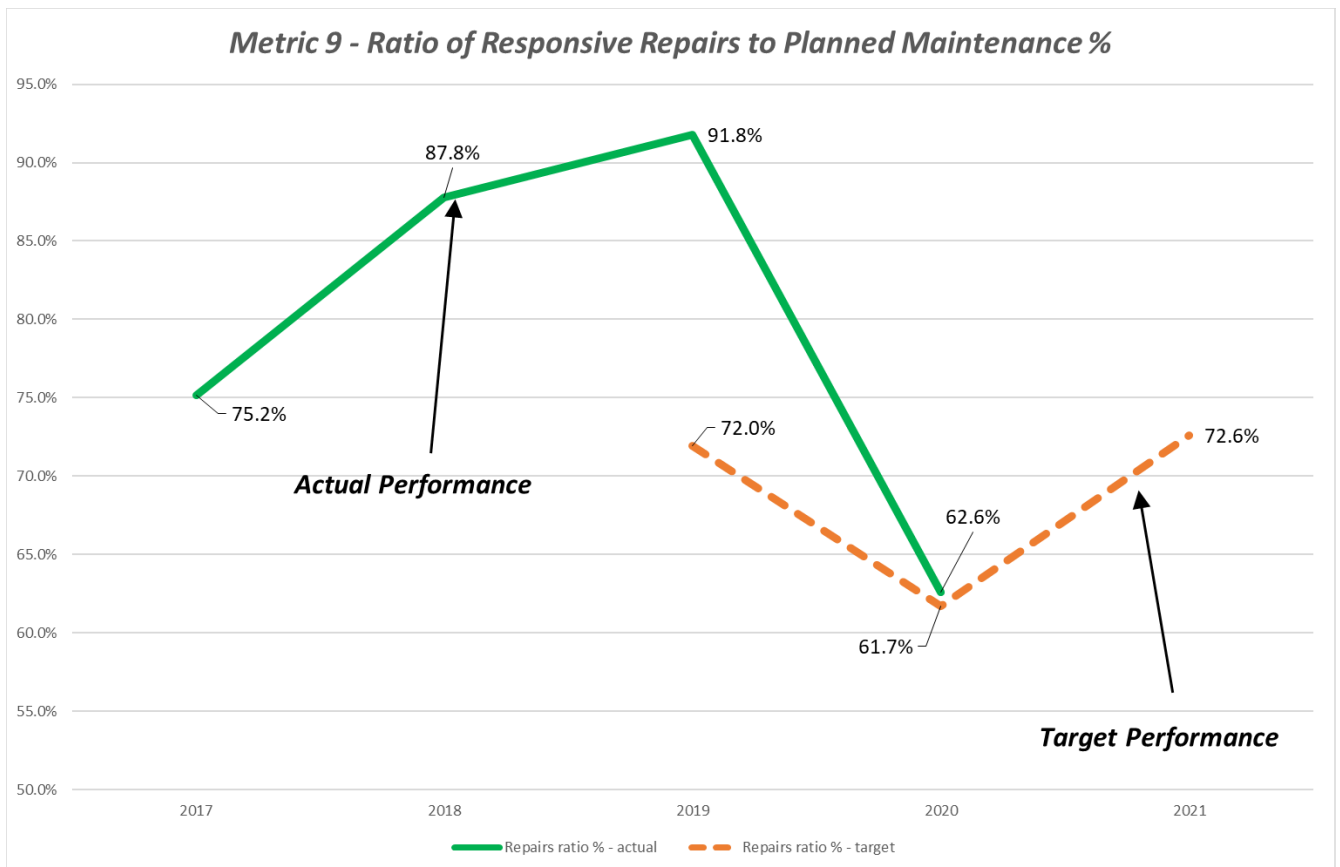
Having adjusted the metric, the 2020 performance of £3,790 compares favourably with the peer group and is consistent with the other comparators. The performance is above target although it should be noted that the figure reflects increased costs supporting the Transformation Project and additional annual depreciation of £1.4m on property structure.

The target for 2021 reflects increased costs supporting the continuation of the Transformation Project.

ORWELL HOUSING ASSOCIATION LIMITED**Strategic report for the year ended 31 December 2020 (Continued)***Sector Scorecard and own metrics (continued)***9. Sector Scorecard – Effective Asset Management - Ratio of responsive repairs to planned maintenance (%)**

This metric indicates the ratio of responsive repairs to planned maintenance with the general ambition of achieving a figure of circa 60%.

Orwell Housing	Peer group	East of England	UK
62.6%	65.0%	71.0%	64.2%

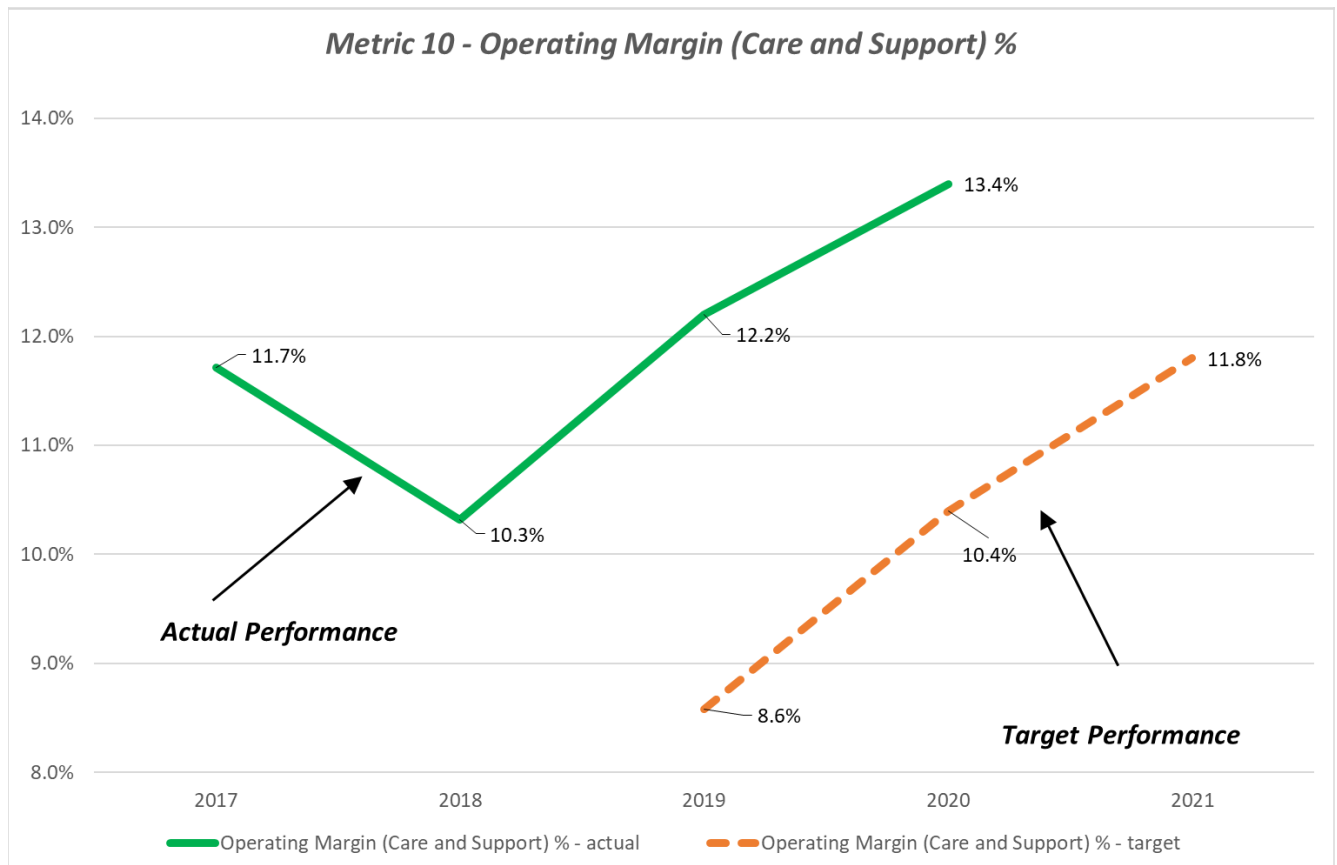


Looking back to 2019, a contractor going into administration during that year meant that a significant amount of planned maintenance was rolled forward into 2020, hence the improved performance target set at 61.7%. Major disruption since March 2020 due to the Covid-19 pandemic, has impacted upon all repairs and maintenance categories and it is pleasing to note that the actual achievement of 62.6% is almost exactly on target and in-line with the peer group and other comparators.

The target for 2021 assumes a more usual position.

ORWELL HOUSING ASSOCIATION LIMITED**Strategic report for the year ended 31 December 2020 (Continued)***Sector Scorecard and own metrics (continued)***10. Own metric - Operating Margin (Care and Support) (%)**

This metric demonstrates the profitability of care and support activities and is an important metric for the Association given that it is expected that these activities generate an overall surplus.

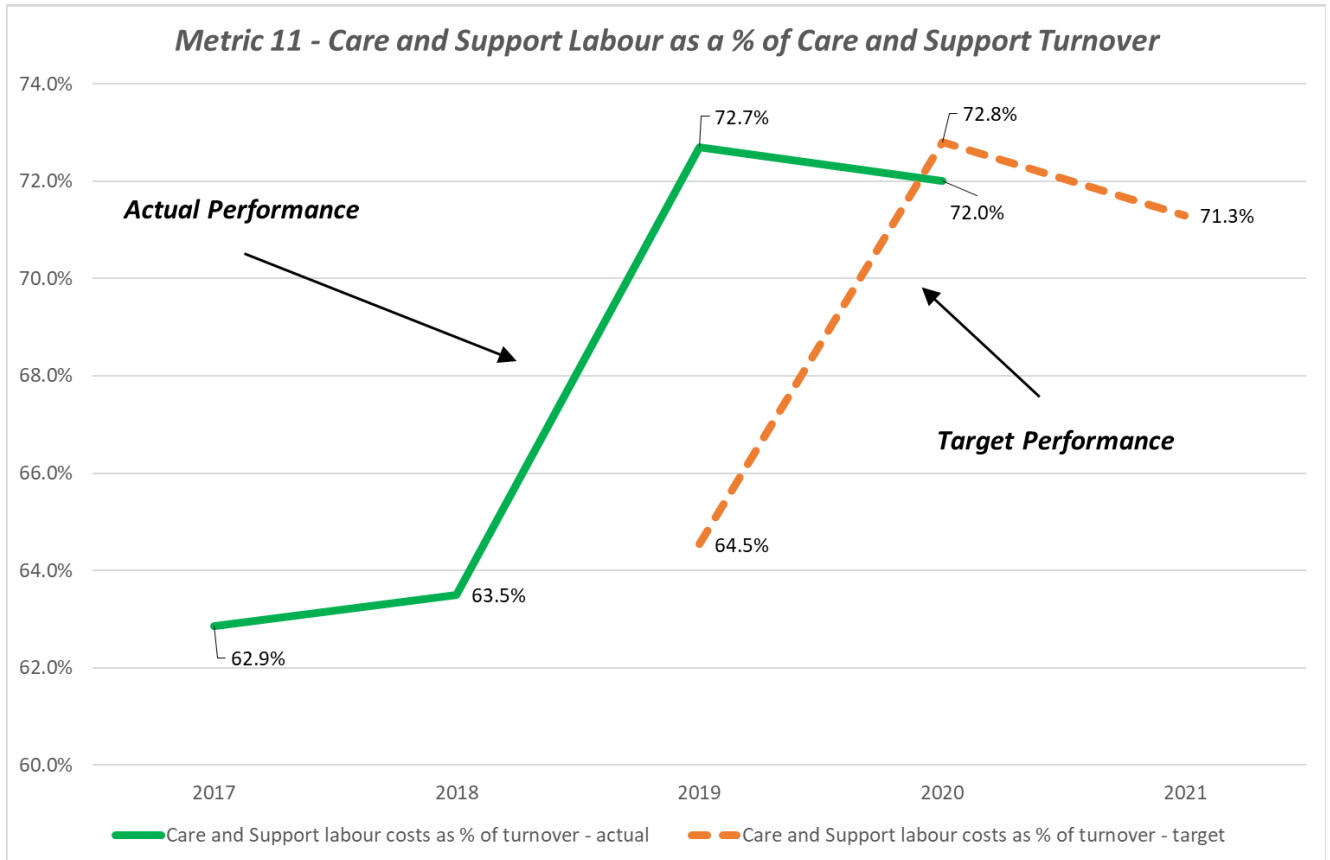


The achievement of an increase in the year to 13.4%, above the target of 10.4% is due in the main to a number of non-recurring items of income received in the Association's learning disabilities schemes which have resulted in the delivery of a surplus of £531,000 compared to a budget of £145,000.

The target for 2021 has been set at a more sustainable level of performance.

ORWELL HOUSING ASSOCIATION LIMITED**Strategic report for the year ended 31 December 2020 (Continued)*****Sector Scorecard and own metrics (continued)*****11. Own metric – Care and Support Labour as a % of Care and Support Turnover**

Labour is the biggest single cost in the delivery of care and support and this metric indicates the profitability of operations. A lower percentage represents a better control over costs and so a better performance.



As the graph above demonstrates, the performance of the Association at 72.0% is better than target and last year, despite the challenges faced throughout 2020 due to the Covid-19 pandemic. Agency costs remain an area of focus moving into 2021 and the target has been set at an improved level of performance.

Social Impact

The Association delivers numerous outcomes which are of benefit to society as a whole, across a very diverse range. The major areas are:

Housing – the Association provides over 4,000 units of accommodation for which:

- 166 tenants have taken out contents insurance policies.
- 51 tenants are active in tenant groups.

The above examples, which generate a social value of at least £1.100,000 as per the HACT social value calculator, are a small part of the social value generated by the provision of housing.

ORWELL HOUSING ASSOCIATION LIMITED

Strategic report for the year ended 31 December 2020 (Continued)

Social Impact (continued)

Supported Housing and Care – the Association provides extensive support and care services to older persons, people with dementia, women fleeing domestic violence, young homeless and people with learning disabilities. During the year, the Association has:

- Supported 247 adult customers and 25 children within our homeless and refuge services.
- Supported 150 women through the delivery of our online Freedom Programme.
- Supported 132 women and 90 affected children through our specialist early help and intervention services in South Norfolk and Lowestoft.
- Delivered more than 400,000 care hours supporting both older people and people with a learning disability.
- Supported 72 people with a learning disability to live independently in their own home.
- Supported over 450 older people to remain living independently in Extra Care accommodation.

Financial Review

The Group is pleased to report another successful year in delivering its financial plan and has achieved a surplus for the year after tax of £2,657,000, compared to the plan target of £2,519,000. From an income perspective, the year includes the final year of four years of 1% rent reductions, effective 1 January 2020.

Group turnover for the year rose to £37,232,000, from £35,264,000 the previous year; an increase of £1,968,000. Shared ownership completions were delayed due to Covid-19 and as a result, turnover fell by £1,145,000. All other areas of the business recorded increases, totalling £3,113,000. Within this total, Social Housing and Care and Support activities increased by £1,043,000. A total of 59 social housing units have been brought into management during 2020 and increased the existing stock by 1.5% to 3,925.

Group operating expenditure for the year increased to £31,539,000 from £27,807,000 last year; an increase of £3,732,000. Included within this figure is additional cost of £1,546,000, reflecting increased depreciation provided on property structure as explained in Note 2 in these accounts. Also included within this total, Social Housing and Care and Support activities increased by £1,068,000, with additional costs suffered due to the Covid-19 pandemic.

The combined income and expenditure movements identified above have resulted in a Group operating surplus of £5,693,000, which is a reduction on last year's figure of £7,457,000.

Expenditure on housing stock maintenance comprises both revenue and capital spend and for the year was £ 6,535,000 (2019: £5,663,000).

Net interest costs for the year have risen to £3,085,000, from £2,947,000 last year, reflecting on the one hand, increased interest costs from an increasing loan balance, together with reducing interest costs on existing funding as a result of advantageous refinancing and fixed-rate deals. This is reflected in the Association's average interest rate which fell from 3.7% to 3.3%. As shown on the face of the Consolidated Statement of Cashflows, funds generated have been invested in the income generating assets of the Association with £13,683,000 (cost less grant) expended on the acquisition and construction of housing properties.

The Association participates in both the Social Housing Pension Scheme (SHPS) and the Local Government Pension Scheme (LGPS) and this year reflects a combined actuarial loss of £2,426,000 compared to £573,000 last year. In addition, 2019 was the first year in which it was possible for the Association to reflect the proportion of assets and liabilities of the Social Housing Pension Scheme (SHPS) in the accounts and this resulted in an initial recognition cost of £638,000. Further details of pension provision are provided in notes 26 and 27.

ORWELL HOUSING ASSOCIATION LIMITED

Strategic report for the year ended 31 December 2020 (Continued)

Financial Review (continued)

The net result of the above financial performance is a Group retained surplus for the year of £231,000 (2019: £3,565,000) which has been transferred to General reserves and ultimately will support the ongoing development work of the Association and provision of new accommodation.

Treasury policies

The Association's and Group's Treasury Policies are designed to ensure that:

- Appropriate funding is in place to support the various activities undertaken by the Association and Group;
- Uncharged assets will be available to secure future borrowings; and
- Interest rates, loan covenants and security arrangements are such as to protect the long-term viability of the Association and Group.

During the continuing period of low interest rates, the Board has sought to ensure that the loan portfolio is not over-exposed to interest rate risk and usually complies with corridors of approximately 20% to 40% short term variable interest rates of less than one year and approximately 60 to 80% fixed interest rates. During the summer of 2020, the Board of the Association made the decision to take advantage of historically low 10-year fixed interest rates averaging 1.3% including margin and fixed £27.7m of previously variable funding. This was a planned decision by the Board, recognising that the variable/fixed proportions would fall outside of the usual corridor. At 31 December 2020 the loan portfolio comprised 17% (2019 - 33%) short term variable interest rates and 83% (2019 – 67%) fixed interest rates. Additional drawings within the next year will return the variable/fixed rate proportion to within the usual corridors by the end of 2021.

The Board seeks to match borrowings with development spend and therefore cash held by the Group is normally maintained at an appropriate minimum level to finance the day-to-day operations.

Cash flow and liquidity

Cash inflows and outflows for the year are set out in the Consolidated Statement of Cash Flows. The net inflow from operating activities for the year was £9,020,000 compared with £8,861,000 for 2019. Cash less grant expended for the construction and purchase of housing properties during the year was £13,683,000.

During December 2019, a refinancing opportunity occurred and repayment of one funder's outstanding loan balance took place, with £13,000,000 drawn from existing revolving credit facilities for this purpose. To replace this funding, a new facility of £13,000,000 was put in place during February 2020 and fully drawn by the end of May 2020.

Loan drawings during the year, excluding the £13,000,000 drawn to top-up existing revolving credit facilities, were £9,500,000 and as a result cash balances during the year increased by £751,000 (2018 – decreased £48,000).

The maturity profile of the Association's and Group's loans is set out in note 24.

At 31 December 2020 the Association had secured undrawn facilities of £17,000,000 (2019: £13,500,000) and the Group had cash balances of £3,739,000 (2019: £2,988,000).

Going concern

In the opinion of the Board, the Association and Group have adequate resources to continue in operation for the foreseeable future and have considered and modelled the potential financial impacts of a variety of scenarios, including ongoing disruption arising from COVID-19, on the Association and the Group. For this reason, the going concern basis has been adopted in preparing the financial statements.

ORWELL HOUSING ASSOCIATION LIMITED

Strategic report for the year ended 31 December 2020 (Continued)

Housing properties

In the opinion of the Board, there has been no indication of any significant impairment of the Association's and Group's properties during the year or since then.

Corporate Governance

The Board currently comprises 12 non-executive members and normally meets with the executive officers 7 times a year. The work of the Board is supported by the Audit Committee, the Governance Committee and the Remuneration and Nominations Committee.

The responsibility for the day-to-day operations is delegated to the Chief Executive and the 4 directors, who report through the Chief Executive to the Board.

The Board continue to strive for excellence in governance and this is achieved through:

- Annual appraisals of the Board by the Chair, including views from the senior management team, together with a 360-degree review of the Chair;
- Annual assessments of the effectiveness of all Boards and Committees;
- Continuing work by the Governance Committee to make improvements and or adjustments to governance where gaps or opportunities are identified;
- Learning and thinking time at Board meetings together with training for Board members; and
- Gap analysis of the skills provided by the Board set against the current and future operating needs of the Association, in order to inform recruitment of new members and address any skill gaps.

The Audit Committee usually comprises 7 members. It has full authority to investigate the affairs of the Association and Group and is given a budget to purchase independent advice as it considers appropriate. It reports directly to the Board and, other than considering internal controls, assurance and risk matters, it also has responsibility for selecting and recommending to the Board the appointment of external and internal auditors.

The Governance Committee usually comprises 7 members. It reports to the Board on matters of compliance, the adequacy and effectiveness of governance within Orwell and promotes excellence in governance. It also oversees Board member appraisals, Board skills analysis and development, succession planning and assessment of Board and Committee effectiveness.

The Remuneration and Nominations Committee usually comprises 7 members and meets to review the salaries of the Chief Executive and directors, together with employee benefits. The Committee also oversees and supports the selection, interview and recruitment of new Board members.

The Board

Kim Newman BSc (Hons) FCIPS MCMI – Chair	Daniel Gaul BSc (Eng) MSc
Robyn Llewellyn – Vice Chair	Peter Jones (retired 25 March 2020)
Cynthia Alers MBA MA MIRSoc	Ian Pinches FCCA FRSA
Jeanette Alfano BTech (Hons) MBA CITP	(appointed 25 March 2020)
Dayle Bayliss BSc (Hons) MSc MBA FRICS	Brett Rennolds MBA Dip MC
C. Build E FCABE MCIOB CMgr MCMI	(appointed 25 March 2020)
(appointed 25 March 2020)	Alastair Thomas BSc (Hons) FRICS
Helen Driver BA (Hons) CFA CFAB DiPFA	Barbara Thorndick OBE BA (Hons) FCIOH

Each member held one share in the Association throughout their period of office.

ORWELL HOUSING ASSOCIATION LIMITED**Strategic report for the year ended 31 December 2020 (Continued)*****Chief Executive and Senior Management Team***

The executive officers of the Association who served during 2020 were as follows:

Wendy Evans-Hendrick BA (Hons) Dip DM DMS	Chief Executive
Rowan Procter BSc (Hons) Dip CHN (appointed 1 June 2020)	Director of Care and Support
Michelle Harrison FCIPD (appointed 1 June 2020)	Director of People and Culture
Paul Kingston MBA FCIH DMS MCMI	Director of Housing
Christopher Wyer FCCA	Director of Resources and Growth

The executive officers hold no interest in the Association's share capital and act within the delegated authority given to them by the Board. The detailed scrutiny of performance, policies/procedures and the Strategic Plan is carried out by the senior management team on an ongoing annual basis.

Third party indemnity provision for Directors and Officers

Qualifying third party indemnity provision is in place for the benefit of all directors and officers of the company.

Risk Management And Statement On Internal Controls Assurance

The Board recognises that it is ultimately responsible for both the management of risk and the system of internal control. The approach to risk is one where it is expected that management of day-to-day risk happens as a part of daily business being carried out by every employee, supported by the business planning process and management of strategic risks. The Association is not risk-averse and acknowledges the need for realistic risk control and management to provide a sound basis on which to carry out business, without being unduly constrained. The Association will normally look to manage, mitigate or monitor risk, as appropriate, but will avoid risk in excess of its clearly understood risk appetite.

The Association monitors and controls all the risks that may affect the achievement of its objectives and these are either recorded in a Strategic Risk Register or an Operational Risk Register. Each item within the registers is assigned a risk appetite and evaluated for impact and likelihood of occurrence. The risk registers also include the controls that have been put in place to reduce the risk to a level that is acceptable, within the given risk appetite. Each risk, and associated controls, within the registers is managed by a nominated individual who is responsible for regular review, on a quarterly basis as a minimum. To support the review, risk is an agenda item at team meetings and all employees are encouraged to contribute. The strategic risks and major operational risks are considered at every Board meeting and reviewed quarterly by the Executive Directors and Operational Management and annually by the Audit Committee in three sections. The effectiveness of this system is kept under review and the ability to bring weaknesses and improvements required to the attention of the Board is principally delegated to the Audit Committee.

The Board considers the strategic risks facing the business to be:

- Impact on Growth - failure to recognise and respond to external pressures and opportunities to achieve growth ambitions
- Financial - inability to maintain financial viability to sustain business operations and growth ambitions
- Political Change - not evaluating and responding to changes and opportunities in the political landscape, including policy changes
- Information Security - inability to prevent and/or respond to significant data breach or security incident.
- Regulatory - non-compliance with legislative Health & Safety requirements (HSE)
- Regulatory - non-compliance with regulatory requirements including CQC, Regulator of Social Housing (including VfM), and Housing Ombudsman
- Partnerships - failure to identify, evaluate and maximise opportunities for partnership working including a consortium, third party investors and shared services
- Transformation - lack of governance, capacity and capability to deliver the transformation programme, including people and technology.

ORWELL HOUSING ASSOCIATION LIMITED

Strategic report for the year ended 31 December 2020 (Continued)

Risk Management And Statement On Internal Controls Assurance (continued)

- Failure of Subsidiary - Orwell Homes does not deliver the expected benefits and/or returns or ceases to be financially viable.
- Culture, Reputation and Trust - failure to maintain Orwell's culture and core values, and/or inadequate probity and governance arrangements, leading to reputational damage and/or loss of trust

Regular review of the risk register has confirmed that appropriate controls are in place for all of the strategic risks shown above. The Association also has in place an Assurance Map to monitor and confirm assurance activities across the business. The Assurance Map is regularly reviewed at Board, Audit Committee and by the Executive Directors and Operational Management.

The Board recognises that it has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The Board also recognises that no system of internal control can provide absolute assurance. The system of internal control is designed to be an important part of the control and management of risk and to provide reasonable assurance that the key business objectives and expected outcomes will be achieved. It also exists to provide reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of assets and interests.

Furthermore, in the event of a problem occurring that affects the overall reputation of the organisation the Board will expect both officers and members, where appropriate, to be open and honest while providing all of the details required to allow the problem to be properly managed and lessons to be learned from the experience.

Key elements of the internal control framework are:

- A work environment which includes a commitment to quality and competent leadership and control by example, communication of ethical values, an appropriate organisational structure, independence, integrity and openness at Board level, appropriate delegation of authority with accountability and a professional approach to financial reporting;
- A robust risk management system across the Association;
- Monitoring through internal audit of systems and controls. This is supported by an external specialist service provider with whom a programme of specific internal audits is agreed and performed;
- Procedures to reduce exposure in connection with treasury management, through a comprehensive policy which essentially spreads borrowing and lending risks across mainstream financial institutions, limiting the liabilities of the Association and Group and controlling cashflow;
- A 30-year financial plan presented at Board and reviewed to ensure that the Association can meet all its financial commitments. Stress testing of the plan is undertaken through scenario planning, including projecting the cumulative impact of multiple scenarios. Planned mitigations are prepared together with trigger points indicating when to implement;
- Detailed information presented to the Board on a regular basis covering monthly financial performance, compliance with funding covenants, 3-year cashflow projections, treasury management performance and strategy, annual budget, insurance review and unencumbered asset review;
- Financial control procedures to ensure accurate accounting for financial transactions, including authorisation procedures, physical controls, segregation of duties and procedures to ensure compliance with laws and regulations that have significant implications; and
- A Strategic Plan and policies in place to support the running of an effective business and which include probity, anti-fraud and corruption, anti-tax evasion, anti-money laundering, anti-bribery and whistleblowing.

The Board monitors these activities either itself, or through the work of the Committees and regularly reviews effectiveness. The Board, through the Audit Committee, has also undertaken a review of the effectiveness of the system of internal controls and no significant weaknesses that could result in a material loss have been identified.

ORWELL HOUSING ASSOCIATION LIMITED**Strategic report for the year ended 31 December 2020 (Continued)****Risk Management And Statement On Internal Controls Assurance (continued)*****Internal audit***

The Association makes use of external advisers to conduct its internal audit. Internal audit differs from other sources of assurance in that it can provide independent and objective assurance across the whole range of the Association's activities.

The Audit Committee is responsible for receiving reports on risk and internal audit on behalf of the Board. The Committee challenges and scrutinises the reports to ensure that management responses to recommended actions are appropriate and implemented. The Audit Committee reports to the Board on its work after each meeting.

The 2020 annual report from the Association's internal auditors sets out the following internal audits and advisory reports:

<i>Review</i>	<i>Grading</i>	<i>Update</i>
July 2019 General Data Protection Regulation (GDPR)	Advisory report - improvement action plan put in place.	Within 2020, 5 improvement actions now completed with 2 improvement actions remaining to be completed by the end of March 2021.
August 2019 and January 2020 Cyber Security Framework	Partial assurance with improvements required - improvement action plan put in place.	41 improvement actions now completed with the remaining 11 due to be completed by the end of May 2021.
October 2019 Operational Key Controls (Allocations & Lettings and Rent Setting & Collection)	Partial assurance with improvements required - improvement action plan put in place.	12 improvement actions now completed with the remaining 3 due to be completed by the end of March 2021.
August 2020 Employee Health and Safety	Partial assurance with improvements required - improvement action plan put in place.	4 improvement actions now completed with 7 improvement actions remaining to be completed by the end of February 2021. There were no high priority actions recommended.
August 2020 Operational Key Controls – Planned Maintenance and Voids	Significant assurance with minor improvement opportunities - improvement action plan put in place.	1 improvement action now completed with 3 improvement actions remaining to be completed by the end of March 2021. There were no high priority actions recommended.
October 2020 Care and Support Services - Safer Recruitment, Induction and Training	Partial assurance with improvements required - improvement action plan put in place.	6 improvement actions, including 1 high priority action, to be completed by the end of April 2021.

ORWELL HOUSING ASSOCIATION LIMITED**Strategic report for the year ended 31 December 2020 (Continued)****Risk Management And Statement On Internal Controls Assurance (continued)****Internal audit (continued)**

<i>Review</i>	<i>Grading</i>	<i>Update</i>
November 2020 Key Financial Controls – Fraud Prevention and Payroll	Partial assurance with improvements required - improvement action plan put in place.	5 improvement actions now completed, including the only high priority action, with 6 improvement actions remaining, which are dependent upon the implementation of new software, to be completed by the end of September 2021.
November 2020 Subsidiary Governance	Significant assurance with minor improvement opportunities - improvement action plan put in place.	1 medium priority improvement action, now completed.
November 2020 Medicines Management - Governance Framework	Significant assurance with minor improvement opportunities - improvement action plan put in place.	1 improvement action now completed with 5 improvement actions remaining to be completed by the end of February 2021. There were no high priority actions recommended.

Where there have been opportunities to improve assurance, the Association has responded by investing time and resource to quickly improve the position.

Fraud

The Board has in place a set of fraud and whistleblowing policies and procedures which are reviewed on a regular basis. These cover the prevention, detection and reporting of fraud, including the recovery of assets and reporting incidents of fraud to the Social Housing Regulator and Police. The Association maintains a register of actual and attempted fraud, which the Board has reviewed as part of its annual review of the effectiveness of the Association's system of internal control. During 2020, there were no known instances of actual or attempted fraud reported.

Statement Of Compliance – Governance Code

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

Statement Of Compliance – Governance And Financial Viability Standard

As a Registered Provider the Association is required to comply with the Regulatory Framework published by the Regulator of Social Housing (RSH). During the year, the RSH confirmed that the Association remains at the highest governance and financial viability ratings of G1 and V1 respectively.

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

ORWELL HOUSING ASSOCIATION LIMITED

Strategic report for the year ended 31 December 2020 (Continued)

Risk Management And Statement On Internal Controls Assurance (continued)

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

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the Association's and Group's state of affairs and of the Association's and Group's surplus or deficit for that period. In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association and/or Group will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and Group and to enable the Board to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, The Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The Board also has general responsibility for taking reasonable steps to safeguard the assets of the Association and Group and to prevent and detect fraud and other irregularities.

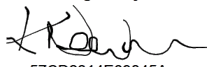
Disclosure Of Information To The Auditor

The Board members who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the Board members have confirmed that they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

In preparing the Strategic Report, the Board has followed the principles set out in the Statement of Recommended Practice for Social Housing Providers (Housing SORP 2014 (updated 2018)).

Crowe U.K. LLP LLP has indicated its willingness to continue in office. A resolution to re-appoint Crowe U.K. LLP will be proposed at the Annual General Meeting.

The Strategic Report was approved by the Board on 24 March 2021 and signed on its behalf by:

DocuSigned by:

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Kim Newman
Chair

ORWELL HOUSING ASSOCIATION LIMITED

Independent Auditor's report to the Members of Orwell Housing Association Limited registered under the Co-Operative and Community Benefit Societies Act 2014

Opinion

We have audited the financial statements of Orwell Housing Association Limited (the "Association") and its subsidiary (the "Group") for the year ended 31 December 2020 which comprise the Statements of comprehensive income, the consolidated and Association statements of changes in reserves, consolidated and Association statements of financial position, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 Group's and Association's affairs as at 31 December 2020 and the Group and Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing from April 2019.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

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

ORWELL HOUSING ASSOCIATION LIMITED

Independent Auditor's report to the Members of Orwell Housing Association Limited registered under the Co-Operative and Community Benefit Societies Act 2014 (Continued)

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- adequate accounting records have not been kept by the parent Association; or
- a satisfactory system of controls over transactions has not been maintained; or
- the Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on page 31, 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 Group's and Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Group or Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

ORWELL HOUSING ASSOCIATION LIMITED**Independent Auditor's report to the Members of Orwell Housing Association Limited registered under the Co-Operative and Community Benefit Societies Act 2014 (Continued)**

We obtained an understanding of the legal and regulatory frameworks within which the Association operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements such as the Co-operative and Community Benefit Societies Act 2014 (and related Directions and regulations), the Housing and Regeneration Act 2008 and other laws and regulations application to a registered social housing provider in England. We also considered the risks of non-compliance with the other requirements imposed by the Regulator of Social Housing and the Care Quality Commission (CQC), and we considered the extent to which non-compliance might have a material effect on the Group financial statements.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of rental and care income, the capital costs of development and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases and substantive testing of key income streams.

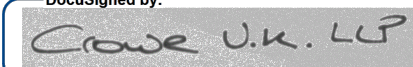
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

Use of our report

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

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Crowe U.K. LLP


Statutory Auditor
55 Ludgate Hill
London
EC4M 7JW

24 March 2021

ORWELL HOUSING ASSOCIATION LIMITED**Statements of comprehensive income for the year ended 31 December 2020**

	Note	2020		2019	
		Group £000	Association £000	Group £000	Association £000
Turnover	4	37,232	35,980	35,264	34,984
Operating expenditure	4	(31,539)	(30,503)	(27,807)	(27,571)
Operating surplus	4, 8	5,693	5,477	7,457	7,413
Profit on disposal of housing properties	9	49	49	184	184
Interest receivable	10	13	18	34	32
Interest and finance costs	11	(3,098)	(3,098)	(2,981)	(2,981)
Surplus for the year before tax		2,657	2,446	4,694	4,648
Taxation	12	-	-	82	-
Surplus for the year after tax		2,657	2,446	4,776	4,648
Initial recognition of multi-employer defined benefit scheme	27	-	-	(638)	(638)
Actuarial (loss)/gain in respect of pension schemes	26, 27	(2,426)	(2,426)	(573)	(573)
Total comprehensive income for the year		231	20	3,565	3,437

The financial statements on pages 35 to 72 were authorised and approved for issue by the Board on 24 March 2021 and signed on its behalf by

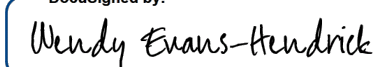
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Kim Newman
Chair

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Helen Driver
Board Member

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Wendy Evans-Hendrick
Chief Executive

The notes on pages 39 to 72 form part of these financial statements.

ORWELL HOUSING ASSOCIATION LIMITED**Statements of changes in reserves for the year ended 31 December 2020**

Group	General reserve £000	Restricted reserve £000	Total £000
Balance at 1 January 2019	60,352	1,916	62,268
Surplus for the year	3,565	-	3,565
Transfer from general reserve to restricted reserve	(119)	119	-
Transfer from restricted reserve to general reserve	37	(37)	-
Balance as at 31 December 2019	63,835	1,998	65,833
Surplus for the year	231	-	231
Transfer from general reserve to restricted reserve	(131)	131	-
Transfer from restricted reserve to general reserve	-	-	-
Balance as at 31 December 2020	63,935	2,129	66,064
Association	General reserve £000	Restricted reserve £000	Total £000
Balance at 1 January 2019	60,134	1,916	62,050
Surplus for the year	3,437	-	3,437
Transfer from general reserve to restricted reserve	(119)	119	-
Transfer from restricted reserve to general reserve	37	(37)	-
Balance as at 31 December 2019	63,489	1,998	65,487
Surplus for the year	20	-	20
Transfer from general reserve to restricted reserve	(131)	131	-
Transfer from restricted reserve to general reserve	-	-	-
Balance as at 31 December 2020	63,378	2,129	65,507

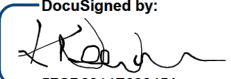
The notes on pages 39 to 72 form part of these financial statements.

ORWELL HOUSING ASSOCIATION LIMITED

Statements of financial position for the year ended 31 December 2020

	Note	2020		2019	
		Group £000	Association £000	Group £000	Association £000
Fixed assets					
Intangible fixed assets	13	132	132	179	179
Housing properties	14, 15	236,812	236,536	225,055	224,579
Other tangible fixed assets	16	3,036	3,036	2,916	2,916
Investments	17	397	397	394	394
		<u>240,377</u>	<u>240,101</u>	<u>228,544</u>	<u>228,068</u>
Current assets					
Stock and work in progress	18	3,226	1,612	1,270	806
Debtors	19	3,974	4,039	4,783	4,797
Cash and cash equivalents		3,739	3,247	2,988	2,594
		<u>10,939</u>	<u>8,898</u>	<u>9,041</u>	<u>8,197</u>
Creditors: amounts falling due within one year	20	<u>(11,412)</u>	<u>(9,652)</u>	<u>(10,007)</u>	<u>(9,033)</u>
Net current assets		<u>(473)</u>	<u>(754)</u>	<u>(966)</u>	<u>(836)</u>
Total assets less current liabilities		<u>239,904</u>	<u>239,347</u>	<u>227,578</u>	<u>227,232</u>
Creditors: amounts falling due after more than one year	21	<u>(167,204)</u>	<u>(167,204)</u>	<u>(157,335)</u>	<u>(157,335)</u>
Provisions for liabilities					
Defined benefit pension scheme liability	26, 27	(6,161)	(6,161)	(3,935)	(3,935)
Other provisions		(475)	(475)	(475)	(475)
Total net assets		<u>66,064</u>	<u>65,507</u>	<u>65,833</u>	<u>65,487</u>
Capital and reserves					
Called up share capital	30	-	-	-	-
Restricted reserves	30	2,129	2,129	1,998	1,998
General reserves	30	63,935	63,378	63,835	63,489
		<u>66,064</u>	<u>65,507</u>	<u>65,833</u>	<u>65,487</u>

The financial statements on pages 35 to 72 were authorised and approved for issue by the Board on 24 March 2021 and signed on its behalf by

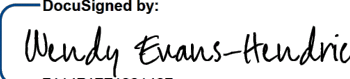
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Kim Newman
Chair

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Helen Driver
Board Member

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Wendy Evans-Hendrick
Chief Executive

The notes on pages 39 to 72 form part of these financial statements.

ORWELL HOUSING ASSOCIATION LIMITED**Consolidated statement of cash flows for the year ended 31 December 2020**

	Note	Group 2020 £000	Group 2019 £000
Net cash inflow from operating activities	34	9,020	8,861
Cash flow from investing activities			
Acquisition and construction of housing properties		(15,457)	(7,007)
Purchase of other tangible fixed assets		(386)	(287)
Sale of housing properties		340	449
Sale of other tangible fixed assets		60	-
Social Housing and Other Grants received		1,774	2,242
Interest received		13	34
Net cash outflow from investing activities		(13,656)	(4,569)
Net cash (outflow)/inflow before financing activities		(4,636)	4,292
Cashflow from financing activities			
Housing loans received		25,701	14,000
Housing loans repaid		(17,217)	(15,411)
Interest paid		(3,097)	(2,929)
Net cash (outflow)/inflow from financing activities		5,387	(4,340)
Net change in cash and cash equivalents	35	751	(48)
Cash and cash equivalents at beginning of the year		2,988	3,036
Cash and cash equivalents at end of the year		3,739	2,988
Cash and cash equivalents comprise:		2020	2019
		£000	£000
Cash at bank		3,739	2,988
		3,739	2,988

The notes on pages 39 to 72 form part of these financial statements.

ORWELL HOUSING ASSOCIATION LIMITED

Notes forming part of the financial statements for the year ended 31 December 2020

1 Legal status

Orwell Housing Association Limited is a co-operative and community benefit society and is an English registered social housing provider.

The address of the Association's registered office and principal place of business is Crane Hill Lodge, 325 London Road, Ipswich, Suffolk IP2 0BE.

The Association's and Group's principal activities are the provision of affordable rented and shared ownership accommodation for people in housing need and the provision of direct care and support.

The principal activities of the subsidiary company, Orwell Homes Limited, are the provision of construction services to the parent company Orwell Housing Association Limited, together with the development of residential housing.

2 Accounting policies

Basis of accounting

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2018 "Statement of Recommended Practice for Registered Housing Providers" and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019, and under the historical cost convention.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Basis of consolidation

The consolidated financial statements of the Association have been prepared as required by the Housing SORP 2018 and incorporate, under the acquisition method, the financial statements of the Association and enterprises controlled by the Association (its subsidiaries) made up to 31 December each year.

Subsidiaries are entities over which the Association has the power to govern the financial and operating policies to obtain economic benefit to the Association. Subsidiaries are fully consolidated from the effective date of acquisition, or up to the effective date of disposal, as appropriate.

Reduced disclosures

In accordance with FRS 102, the Association, as an entity, has taken advantage of the exemptions from the following disclosure requirements in its individual financial statements.

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flows and related notes and disclosures.
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches; and details of hedges and hedging fair value changes recognised in profit or loss and in other comprehensive income.

Going concern

In the opinion of the Board, the Association and Group have adequate resources to continue in operation for the foreseeable future and have considered and modelled the potential financial impact of COVID-19 on the Association and the Group. For this reason, the going concern basis has been adopted in preparing the financial statements.

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)***Turnover*

Turnover represents rental and fee income receivable, fees and revenue grants from local authorities and Homes England, development income as a result of the e² consortium, and subsidiary company activities. Rental income is recognised on the execution of tenancy agreements. Development income as a result of the e² consortium is recognised on an equivalent basis to the proportion of cost incurred at year end compared to total anticipated cost. Proceeds on sale are recognised on practical completion. Other income is recognised as receivable on the delivery of services provided. Turnover in respect of properties for sale on the open market is recognised at point of sale.

Government Grants

Government grants include grants receivable from Homes England, local authorities and other government bodies.

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received. Reasonable assurance is considered to be the point where the grant claim, in accordance with the previously approved project approval, has been submitted to Homes England.

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) under the accruals model.

Government grants relating to revenue are recognised as income over the periods when the related costs are incurred once reasonable assurance has been gained that the Association will comply with the conditions and the funds will be received.

Other grants

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

Donated land or acquired below market value

Land or other assets which have been donated by a government source is added to cost of assets at the fair value of the land at the time of the donation. The difference between the fair value of the asset donated and the consideration paid is treated as a non-monetary government grant and included within the Statement of Financial Position as a liability. The terms of the donation are considered to be performance related conditions. Where the donation is not from a public source, the value of the donations less the consideration is included in income.

Intangible fixed assets

Intangible fixed assets are stated at cost, less amortisation. Amortisation is provided at a rate calculated to write off the cost, less estimated residual values, on a straight-line basis over the expected economic useful lives of the assets as follows:

Software	-	3 years
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Fixed assets - housing, land and buildings

Housing properties are properties for the provision of social housing and are principally properties available for rent and shared ownership.

Completed housing and shared ownership properties are stated at cost less accumulated depreciation and impairment losses.

Cost includes the cost of acquiring land and buildings, and expenditure incurred during the development period.

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)***Fixed assets - housing, land and buildings (continued)*

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income;
- A material reduction in future maintenance costs;
- A significant extension to the life of the property.

Shared ownership properties are split proportionally between fixed assets and current assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover. The remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment. Where the first tranche has been sold prior to the acquisition of the properties, these are included in fixed assets only.

Depreciation of housing properties

Freehold land or assets under construction are not depreciated.

The group separately identifies the major components of its housing properties and charges depreciation so as to write-down the cost of each component to its estimated residual value, on a straight line basis over the following years:

Housing leasehold buildings	Length of lease
Property structure	100 years
Roofs	60 years
Kitchens	20 years
Windows and doors	30 years
Bathrooms	30 years
Lifts	15 years
Boilers	15 years
Heating systems	30 years

In respect of the property structure, for years ended 31 December 2019 and earlier, it was considered that the residual value remained at a level equal to or above the original cost and therefore any depreciation charge would be immaterial or nil. After carrying out detailed research during the year, the group adjusted its estimation of the residual value of the property structure to an assumed value of nil at the end of the asset's useful life. Therefore, with effect from 1 January 2020, the accounts include amounts in respect of depreciation of the property structure.

Impairment of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the recoverable amount of the asset is estimated.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the income and expenditure account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)***Other tangible fixed assets*

Other fixed assets are stated at cost, less depreciation. Depreciation is provided at rates calculated to write off the cost, less estimated residual values, of all fixed assets, with the exception of freehold offices, on a straight-line basis over the expected economic useful lives of the assets as follows:

Freehold Offices	-	100 years
Motor vehicles	-	4 years
Office furniture and equipment	-	5 years
Gardening equipment	-	4 years
Computer equipment	-	3 years

In respect of Freehold offices, for years ended 31 December 2019 and earlier, it was considered that the residual value remained at a level equal to or above the original cost and therefore any depreciation charge would be immaterial or nil. After carrying out detailed research during the year, the group adjusted its estimation of the residual value to an assumed value of nil at the end of the asset's useful life. Therefore, with effect from 1 January 2020, the accounts include amounts in respect of depreciation of the asset.

Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, turnover and costs are recognised over the period of the contract.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract turnover is recognised only to the extent of contract costs that are recoverable and the contract costs are expensed as incurred.

The group uses the "percentage of completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded for contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets, depending on their nature, and provided it is probable they will be recovered. Amounts held as work in progress at the year end represent costs incurred in respect of potential e² schemes where a development contract is not yet in place.

Stock of properties for market sale

Stock of market sale properties are held at the lower of cost or net realisable value.

Borrowing costs

The costs incurred in raising long term finance are expensed.

Value Added Tax (VAT)

The group is registered for VAT but a large proportion of its income, including rents, is exempt for VAT purposes. The majority of the Association's expenditure is subject to VAT which cannot be reclaimed and expenditure is therefore shown inclusive of VAT. Any input VAT recovered is credited against operating costs.

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)**

Taxation

The Association has charitable status and is therefore exempt from paying Corporation Tax on charitable activities. The tax expense represents the sum of the current tax expense and deferred tax expense arising from its subsidiary company activities. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Temporary Supported Housing

Where hostels are operated by other organisations under management agreements, the financial statements include only the amounts payable and receivable in respect of the hostels and any deficits arising are funded from other operations of the relevant organisations. Where hostels are managed by the Association, their income and expenditure is included in full in the income and expenditure account.

Operating leases

Annual rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

*Retirement benefits**Defined contribution plans*

For defined contribution schemes the amount charged to income and expenditure 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.

Defined benefit plans

The group participates in two funded multi-employer defined benefit schemes, the Suffolk County Council Local Government Pension Scheme (LGPS) and the Social Housing Pension Scheme (SHPS).

For LGPS, the cost of providing benefits is determined using the projected unit credit method.

Asset/Liability

The net defined benefit asset/liability represents the present value of the defined benefit obligations minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from the calculation is limited to the present value of available refunds or reductions in future contributions to the plan.

The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)***Retirement benefits (continued)**Gains/Losses*

Gains or losses recognised in profit or loss:

- The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost.
- The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred.
- Net interest on the net defined benefit asset/liability comprises the interest cost on the defined benefit obligation and interest income on the plan assets, calculated by multiplying the fair value of the plan assets at the beginning of the period by the rate used to discount the benefit obligations.

Gains or losses recognised in other comprehensive income:

- Actuarial gains and losses.
- The difference between the interest income on the plan assets and the actual return on the plan assets.

Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument and are offset only when the group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets*Debtors*

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial liabilities*Trade creditors*

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled. Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)*****Financial liabilities (continued)******Borrowings***

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Derecognition of financial assets and liabilities

A financial asset is derecognised only where the contractual rights to cashflows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Provisions

Provisions are recognised when there is an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

3 Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions 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 discussed below.

Defined benefit pension scheme liability

The LGPS pension liability is based on the actuarial valuation as at 31 December 2020 and full details are disclosed in note 26.

The SHPS pension liability is based on the SHPS valuation as at 31 December 2020 and full details are disclosed in note 27.

Construction contracts

The outcome of a construction contract is an estimate and during the period of construction, things may come to light which have a material adverse impact on the cost.

Useful economic life of assets

During the year an assessment was made in respect of the residual value of the property structures at the end of the asset's useful life as detailed in the policy above. As part of this process there was also a reassessment of the expected remaining useful life of the properties. These judgements resulted in a change in estimation technique with depreciation being recognised since 1 January 2020 in respect of property structures. The estimation of the useful economic life of the components of social housing assets for depreciation is therefore a judgement.

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****3 Critical accounting estimates and areas of judgement (continued)***Critical areas of judgement**Finance and operating leases*

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Association as lessee, or the lessee, where the Association is a lessor.

Impairment

Impairment of housing assets is considered annually. In making the judgement, the Board consider the detailed criteria set out in the SORP. There has been no impairment in 2020, however a previous impairment provision of £262,000 against two general needs properties is no longer required and was released during 2019.

4 Turnover, operating costs and operating surplus

2020	Turnover £000	Operating costs £000	Operating surplus £000
Social housing lettings (see note 5)	20,338	15,268	5,070
Other social housing activities:			
Current asset property sales	643	504	139
Charges for support services	3,826	3,826	-
Care	7,327	7,108	219
Development activities	3,597	3,649	(52)
Non-social housing activities:			
Lettings	249	148	101
	<hr/>	<hr/>	<hr/>
	35,980	30,503	5,477
Association activities			
Subsidiary company	1,252	1,036	216
	<hr/>	<hr/>	<hr/>
Group activities	37,232	31,539	5,693
	<hr/>	<hr/>	<hr/>

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****4 Turnover, operating costs and operating surplus (continued)**

<i>2019</i>	<i>Turnover £000</i>	<i>Operating costs £000</i>	<i>Operating surplus £000</i>
Social housing lettings (see note 5)	20,199	13,756	6,443
Other social housing activities:			
Current asset property sales	1,788	1,128	660
Charges for support services	3,031	3,031	-
Care	7,218	6,801	417
Development activities	2,606	2,780	(174)
Non-social housing activities:			
Lettings	142	75	67
	<u>34,984</u>	<u>27,571</u>	<u>7,413</u>
Association activities			
Subsidiary company	280	236	44
Group activities	<u>35,264</u>	<u>27,807</u>	<u>7,457</u>

Other social housing activities - charges for support services includes £948,000 of Supporting People income (2019: £853,000).

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****5 Particulars of the Group's and Association's income and expenditure from social housing lettings**

	General needs housing £000	Supported housing £000	Shared ownership accommo- dation £000	2020 Total £000	<i>2019 Total £000</i>
Rent receivable net of identifiable service charges	13,020	2,889	264	16,173	<i>16,239</i>
Service income	556	1,822	126	2,504	<i>2,363</i>
Management services and other income	38	662	3	703	<i>795</i>
Gross rental income	13,614	5,373	393	19,380	<i>19,397</i>
Voids	(77)	(294)	(1)	(372)	<i>(262)</i>
Net rental income	13,537	5,079	392	19,008	<i>19,135</i>
Amortised government grants	702	215	1	918	<i>955</i>
Government grants taken to income	-	369	-	369	<i>3</i>
Revenue grant for major repairs	-	43	-	43	<i>106</i>
Land donated/acquired below market price	-	-	-	-	<i>-</i>
Turnover from social housing lettings	14,239	5,706	393	20,338	<i>20,199</i>
Management	4,101	1,764	22	5,887	<i>5,800</i>
Services	494	1,542	100	2,136	<i>2,088</i>
Routine maintenance	1,903	609	3	2,515	<i>2,710</i>
Planned maintenance	764	256	2	1,022	<i>1,281</i>
Bad debts	151	-	-	151	<i>209</i>
Depreciation of housing properties	2,707	522	3	3,232	<i>1,602</i>
Impairment of housing properties	-	-	-	-	<i>(262)</i>
Other costs	210	115	-	325	<i>328</i>
Operating costs on social housing lettings	10,330	4,808	130	15,268	<i>13,756</i>
Operating surplus on social housing lettings	3,909	898	263	5,070	<i>6,443</i>

The impairment credit during 2019 relates to two properties where the previous conditions requiring impairment no longer apply. The previous impairment has therefore been reversed and the original asset value reinstated.

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****6 Employees**

The average monthly number of employees of the Group and Association during the year was:

	2020		2019	
	Full time	Part time	Full time	Part time
Administration	94	79	85	78
Wardens/Care Workers	50	426	54	419
Gardeners/Caretakers/Repairs	52	52	51	58
	196	557	190	555

The above represents full time equivalents of 510 (2019: 495).

	2020	2019
	£000	£000
Staff costs consist of:		
Wages and salaries	12,475	11,104
Social security costs	947	807
Defined contribution pension costs	216	193
Other pension costs and current service cost	266	481
	13,904	12,585

Redundancy and garden leave costs for one director of £150,000 have been included within wages and salaries. In relation to this cost associated Employers NI costs of £9,000 are included in social security costs and employers pension costs of £2,000.

Full time equivalent number of employees who received remuneration during the year above £60,000 was:

	2020	2019
£60,000 - £69,999	3	1
£70,000 - £79,999	2	2
£90,000 - £99,999	1	-
£100,000 - £109,999	1	1
£110,000 - £119,999	1	1
£120,000 - £129,999	1	1
£130,000 - £139,999	1	-

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****7 Directors**

Directors are defined as the twelve members of the Board (2019: nine) together with the five members of the senior management team (2019: three), which includes the Chief Executive. Board member remuneration during the year was as follows:

Group and Association	2020	<i>2019</i>
	£000	<i>£000</i>
Cynthia Alers	4	4
Jeanette Alfano	9	5
Dayle Bayliss (appointed 25 March 2020)	3	-
Ian Beaumont (retired 27 March 2019)	-	3
Helen Driver	5	3
Daniel Gaul	4	4
Peter Jones – (retired 25 March 2020)	1	4
Robyn Llewellyn	7	7
Kim Newman	11	10
Ian Pinches (appointed 25 March 2020)	3	-
Brett Rennolds (appointed 25 March 2020)	3	-
Barbara Thorndick	7	7
Alastair Thomas	7	7
	<hr/>	<hr/>
Total emoluments – non-executive	64	54
Emoluments (including social security costs of £54,379 (2019: £55,386) – executive	520	387
Pension scheme contributions – executive	62	54
	<hr/>	<hr/>
Total Key Management compensation – seventeen directors (2019: thirteen)	646	495
	<hr/>	<hr/>
Emoluments of the highest paid director	140	145
	<hr/>	<hr/>

The five executive directors (2019: three) were members of the Association's defined benefit pension scheme.

The Chief Executive was an ordinary member of the pension scheme with no enhanced or special terms applied. Contributions towards the Chief Executive's pension by the company amounted to £20,952 (2019: £18,572). The Chief Executive's notice period is 6 months.

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****8 Operating surplus**

	2020		2019	
	Group £000	Association £000	Group £000	Association £000
This has been arrived at after charging:				
Housing properties depreciation	3,066	3,066	1,616	1,616
Other depreciation and amortisation	284	284	256	256
Impairment	-	-	(262)	(262)
Internal auditors' remuneration	46	46	42	42
Hire of assets – operating leases – land and buildings	325	325	338	338
Hire of assets – operating leases – motor vehicles	228	228	230	230
Fees payable to Crowe UK LLP and its associates in respect of both audit and non audit services are as follows:				
Audit services – statutory audit of the company	22	19	-	-
Taxation compliance services	2	-	-	-
Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non audit services are as follows:				
Audit services – statutory audit of the company	-	-	26	23
Taxation compliance services	5	4	1	-

9 Profit on disposal of housing properties

	2020		2019	
	Group £000	Association £000	Group £000	Association £000
External disposals				
Disposal proceeds	340	340	722	722
Cost, less Social Housing Grant not recycled	(291)	(291)	(538)	(538)
Profit	49	49	184	184

10 Interest receivable

	2020		2019	
	Group £000	Association £000	Group £000	Association £000
On bank and building society deposits	13	12	34	32
On intragroup loans	-	6	-	-
	13	18	34	32

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****11 Interest and finance costs**

	2020		<i>2019</i>	
	Group £000	Association £000	<i>Group £000</i>	<i>Association £000</i>
On bank loans and other loans repayable wholly or partly within 5 years	38	38	62	62
On bank loans and other loans repayable wholly or partly after more than 5 years	3,032	3,032	2,872	2,872
Bond premium released	(51)	(51)	(50)	(50)
Defined benefit pension charge	79	79	97	97
	<u>3,098</u>	<u>3,098</u>	<u>2,981</u>	<u>2,981</u>

12 Taxation

	2020		<i>2019</i>	
	Group £000	Association £000	<i>Group £000</i>	<i>Association £000</i>
Current tax:				
UK Corporation tax on profits of current year	-	-	-	-
Group relief claimed in respect of prior years	-	-	(82)	-
	<u>-</u>	<u>-</u>	<u>(82)</u>	<u>-</u>

Factors affecting tax charge for the year:

For years ending 31 December 2020 and 31 December 2019, the profit of Orwell Homes Limited has been offset against Group interest paid and no UK Corporation tax is assessed as payable. In addition, for the prior year UK corporation tax previously assessed as payable has been reclaimed.

	2020 £000	<i>2019 £000</i>
Subsidiary profit on ordinary activities before tax	360	87
Profit on ordinary activities multiplied by the main rate of corporation tax of 19% (2019 – 19%)	-	-
Corporation tax reclaimed in the year	-	(82)
	<u>-</u>	<u>(82)</u>

ORWELL HOUSING ASSOCIATION LIMITEDNotes forming part of the financial statements for the year ended 31 December 2020 (*Continued*)**13 Intangible fixed assets**

Group and Association	Software £000	2020 Total £000
<i>Cost</i>		
At beginning of year	449	449
Additions during year	76	76
Disposals during year	(71)	(71)
At end of year	454	454
<i>Less: Amortisation</i>		
At beginning of year	(270)	(270)
Charge for year	(123)	(123)
Disposals during year	71	71
At end of year	(322)	(322)
<i>Net book value</i>		
At beginning of year	179	179
At end of year	132	132

ORWELL HOUSING ASSOCIATION LIMITED

Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)

14 Tangible fixed assets - Housing properties

Group	Shared Ownership under construction £000	Housing properties under construction £000	Shared Ownership properties completed £000	Housing properties for letting completed £000	2020 Total £000
<i>Cost</i>					
At beginning of year	1,248	3,064	6,379	233,402	244,093
Additions during year	1,664	10,839	-	2,998	15,501
Disposals during year	-	-	(164)	(1,216)	(1,380)
Transfer	(2,075)	(9,650)	2,075	9,650	-
At end of year	837	4,253	8,290	244,834	258,214
<i>Depreciation</i>					
At beginning of year	-	-	-	(19,038)	(19,038)
Charge for the year	-	-	-	(3,066)	(3,066)
Reversal of impairment	-	-	-	-	-
On disposal	-	-	-	702	702
At end of year	-	-	-	(21,402)	(21,402)
<i>Net book value</i>					
At beginning of year	1,248	3,064	6,379	214,364	225,055
At end of year	837	4,253	8,290	223,432	236,812
					2020
					£000
Freehold land and buildings					226,043
Long leasehold land and buildings					7,474
Short leasehold land and buildings					3,295
					236,812

During the year, £2,998,000 of works to existing properties were capitalised (2019: £1,672,000) and £2,820,000 (2019: £3,315,000) were charged to the Group's statement of comprehensive income.

In respect of the property structure, for years ended 31 December 2019 and earlier, it was considered that the residual value remained at a level equal to or above the original cost and therefore any depreciation charge would be immaterial or nil. After carrying out detailed research during the year, the group adjusted its estimation of the residual value of the property structure to an assumed value of nil at the end of the asset's useful life. Therefore, with effect from 1 January 2020, the accounts include amounts in respect of depreciation of the property structure.

ORWELL HOUSING ASSOCIATION LIMITED

Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)

15 Tangible fixed assets - Housing properties

Association	Shared Ownership under construction £000	Housing properties under construction £000	Shared Ownership properties completed £000	Housing properties for letting completed £000	2020 Total £000
<i>Cost</i>					
At beginning of year	1,248	2,588	6,379	233,599	243,814
Additions during year	1,465	11,238	-	2,998	15,701
Disposals during year	-	-	(164)	(1,216)	(1,380)
Transfer	(2,075)	(9,650)	2,075	9,650	-
At end of year	638	4,176	8,290	245,031	258,135
<i>Depreciation</i>					
At beginning of year	-	-	-	(19,235)	(19,235)
Charge for the year	-	-	-	(3,066)	(3,066)
Reversal of impairment	-	-	-	-	-
On disposal	-	-	-	702	702
At end of year	-	-	-	(21,599)	(21,599)
<i>Net book value</i>					
At beginning of year	1,248	2,588	6,379	214,364	224,579
At end of year	638	4,176	8,290	223,432	236,536
					2020
					£000
Freehold land and buildings					225,767
Long leasehold land and buildings					7,474
Short leasehold land and buildings					3,295
					236,536

During the year, £2,998,000 of works to existing properties were capitalised (2019: £1,672,000) and £2,820,000 (2019: £3,315,000) were charged to the Association's statement of comprehensive income.

In respect of the property structure, for years ended 31 December 2019 and earlier, it was considered that the residual value remained at a level equal to or above the original cost and therefore any depreciation charge would be immaterial or nil. After carrying out detailed research during the year, the group adjusted its estimation of the residual value of the property structure to an assumed value of nil at the end of the asset's useful life. Therefore, with effect from 1 January 2020, the accounts include amounts in respect of depreciation of the property structure.

ORWELL HOUSING ASSOCIATION LIMITED

Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)

16 Tangible fixed assets - Other

Group and Association	Freehold offices £000	Motor vehicles £000	Office furniture, plant & equipment £000	Gardening equipment £000	2020 Total £000
<i>Cost</i>					
At beginning of year	2,594	4	407	38	3,043
Additions during year	6	9	281	14	310
Disposals during year	-	(9)	(49)	(2)	(60)
At end of year	2,600	4	639	50	3,293
<i>Less: Depreciation</i>					
At beginning of year	-	(3)	(111)	(13)	(127)
Charge for year	(26)	(1)	(126)	(8)	(161)
Disposals during year	-	-	30	1	31
At end of year	(26)	(4)	(207)	(20)	257
<i>Net book value</i>					
At beginning of year	2,594	1	296	25	2,916
At end of year	2,574	-	432	30	3,036

In respect of Freehold offices, for years ended 31 December 2019 and earlier, it was considered that the residual value remained at a level equal to or above the original cost and therefore any depreciation charge would be immaterial or nil. After carrying out detailed research during the year, the group adjusted its estimation of the residual value to an assumed value of nil at the end of the asset's useful life. Therefore, with effect from 1 January 2020, the accounts include amounts in respect of depreciation of the asset.

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****17 Investments**

	2020		2019	
	Group £000	Association £000	Group £000	Association £000
Liquidity reserve at beginning of year	394	394	382	382
Interest accrued in the year	3	3	12	12
Liquidity reserve at end of year	<u>397</u>	<u>397</u>	<u>394</u>	<u>394</u>

The above funds are held in trust for the Association as security against one year's interest cost on the bond proceeds and cannot be accessed until 2042 when they will be utilised to part repay the bond amount of £10m.

Association	£
At 1 January 2020 and 31 December 2020	<u>4</u>

At the year end the Association held shares in the following:

Company	Country of Incorporation	Ordinary shares held		Cost £	Nature of business
		Number	%		
Orwell Homes Limited	England and Wales	2	100	2	Property development
Suffolk Rural Housing Limited	England and Wales	2	100	2	Dormant

18 Stocks and work in progress

	2020		2019	
	Group £000	Association £000	Group £000	Association £000
First tranche disposals Shared Ownership Properties	1,590	1,590	-	-
Land banked for market sale	-	-	727	727
Market sale properties	1,614	-	464	-
Work in progress	22	22	79	79
	<u>3,226</u>	<u>1,612</u>	<u>1,270</u>	<u>806</u>

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****19 Debtors**

	2020		<i>2019</i>	
	Group £000	Association £000	<i>Group £000</i>	<i>Association £000</i>
Arrears of rent and service charges	751	751	746	746
Less: Provision for bad/doubtful debts	(378)	(378)	(208)	(208)
	<u>373</u>	<u>373</u>	<u>538</u>	<u>538</u>
Trade debtors	1,224	1,224	947	947
Less: Provision for bad/doubtful debts	(391)	(391)	(415)	(415)
	<u>833</u>	<u>833</u>	<u>532</u>	<u>532</u>
Amounts recoverable on contracts	967	967	1,039	1,039
Amounts due from group companies	-	82	-	73
Other debtors	1,801	1,784	2,674	2,615
	<u>3,974</u>	<u>4,039</u>	<u>4,783</u>	<u>4,797</u>

All debtors above are considered to be recoverable within one year.

Group and Association**Bad and
doubtful
debts
£000**

At 1 January 2019	554
Charge to income and expenditure account for the year	213
Expenditure charge to the provision for the year	(144)
	<u>623</u>
At 31 December 2019	623
Charge to income and expenditure account for the year	153
Expenditure charge to the provision for the year	(7)
	<u>769</u>
Balance at 31 December 2020	769

The bad and doubtful debts provisions are in place to cover all debts where the Association considers that there are doubts that payment will be received.

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****20 Creditors: amounts falling due within one year**

	2020		2019	
	Group £000	Association £000	<i>Group £000</i>	<i>Association £000</i>
Payments on account of long term work in progress	654	654	266	266
Current instalments of loans (see note 24)	1,579	1,378	2,247	2,247
Trade Creditors	3,362	2,141	2,117	1,428
Contractors for certificate work and unpaid retentions	505	206	608	354
Other taxation and social security	245	245	213	213
Corporation tax	-	-	-	-
Amounts due to group companies	-	1	-	9
Deferred income	1,616	1,616	690	690
Recycled capital grants (see note 22)	-	-	249	249
Deferred capital grants (see note 23)	1,721	1,721	1,379	1,379
Other creditors and accruals	1,730	1,690	2,238	2,198
	<u>11,412</u>	<u>9,652</u>	<u>10,007</u>	<u>9,033</u>

21 Creditors: amounts falling due after more than one year

Amounts due are payable as follows:

	2020		2019	
	Group £000	Association £000	<i>Group £000</i>	<i>Association £000</i>
Recycled capital grant fund (see note 22)	111	111	261	261
Deferred capital grants (see note 23)	73,759	73,759	72,891	72,891
Borrowings (see note 24)	93,334	93,334	84,183	84,183
	<u>167,204</u>	<u>167,204</u>	<u>157,335</u>	<u>157,335</u>

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****22 Recycled capital grants**

	2020		<i>2019</i>	
	Group £000	Association £000	<i>Group £000</i>	<i>Association £000</i>
At the beginning of the year	510	510	408	408
Inputs to RCGF: grants recycled	42	42	123	123
interest accrued	2	2	5	5
Recycling of grant: new build	(443)	(443)	(26)	(26)
At the end of the year	111	111	510	510

There are no amounts three years old or older where repayment may be required.

23 Deferred capital grant

Group and Association	2020 £000	<i>2019 £000</i>
As at 1 January	74,270	73,002
Grant received in the year	2,145	2,294
Capital grant released	(925)	(958)
Reinstatement of grant re disposals	80	278
Disposals	(90)	(346)
As at 31 December	75,480	74,270

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****24 Borrowings**

	Group	Association	<i>Group</i>	<i>Association</i>
	2020	2020	<i>2019</i>	<i>2019</i>
	£000	£000	<i>£000</i>	<i>£000</i>
Creditors: amounts falling due within one year (see note 20):				
Bank loans	1,579	1,378	2,247	2,247
	<u>1,579</u>	<u>1,378</u>	<u>2,247</u>	<u>2,247</u>
Creditors: amounts falling due after more than one year (see note 21):				
Bank loans repayable:				
By instalments due after 1 year and up to 5 years	17,015	17,015	14,118	14,118
By instalments due after 5 years	65,081	65,081	58,768	58,768
Other than by instalment due after 5 years	11,238	11,238	11,297	11,297
	<u>93,334</u>	<u>93,334</u>	<u>84,183</u>	<u>84,183</u>

Borrowings are denominated and repaid in pounds sterling, have contractual interest rates that are either fixed rates or variable rates linked to LIBOR that are not leveraged, and do not contain conditional returns or repayment provisions other than to protect the lender against credit deterioration or changes in relevant legislation or taxation.

All of the borrowings are secured against the Association's housing properties.

Bank borrowings are repayable by regular instalments of principal and interest, the last instalments of which fall to be repaid on dates between 2021 and 2050; the loans bear interest at variable and fixed rates of between 1.62% and 15.0%.

The bank borrowings are subject to a variety of covenants including interest cover and gearing covenants. During the year, there have been no covenant breaches.

The Association also has borrowings in the form of bond finance upon which interest is charged at a nominal rate of 3.8% and a full bullet repayment of £10m is payable in 2042.

25 Financial instruments

	2020	<i>2019</i>
	£000	<i>£000</i>
Group		
Carrying amount of financial assets:		
Debt instruments measured at amortised cost	3,280	3,973
	<u>3,280</u>	<u>3,973</u>
Carrying amount of financial liabilities:		
Measured at amortised cost	101,276	92,172
	<u>101,276</u>	<u>92,172</u>

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****26 Pension provision – Local Government Pension Scheme**

The Association is an admitted body of the Local Government Pension Scheme (LGPS) which is funded by the payment of contributions to a separately administered trust fund.

The most recent formal actuarial valuation was carried out as at 31 December 2020 by a qualified independent actuary

Fair value of assets and defined benefit liability

	2020	<i>2019</i>
	£000	<i>£000</i>
Fair value of plan assets	1,111	<i>1,005</i>
Present value of funded liabilities	(1,836)	<i>(1,357)</i>
Net liability	<u>(725)</u>	<u><i>(352)</i></u>

Reconciliation of opening and closing balances of the fair value of plan assets:

	2020	<i>2019</i>
	£000	<i>£000</i>
Fair value of plan assets at 1 January	1,005	<i>855</i>
Interest income	22	<i>26</i>
Contribution by scheme participants	9	<i>9</i>
Contributions by the employer	47	<i>49</i>
Experience on plan assets (excluding amounts in interest income) – gain	29	<i>67</i>
Benefits paid	(1)	<i>(1)</i>
Fair value of plan assets at 31 December	<u>1,111</u>	<u><i>1,005</i></u>

Reconciliation of opening and closing balances of the defined benefit obligation:

	2020	<i>2019</i>
	£000	<i>£000</i>
Defined benefit obligation at 1 January	1,357	<i>1,074</i>
Current and past service cost	58	<i>62</i>
Interest cost	29	<i>32</i>
Contribution by scheme participants	9	<i>9</i>
Actuarial gains due to scheme experience	(5)	<i>(16)</i>
Actuarial gains due to changes in demographic assumptions	-	<i>(24)</i>
Actuarial losses due to changes in financial assumptions	389	<i>221</i>
Benefits paid	(1)	<i>(1)</i>
Defined benefit obligation at 31 December	<u>1,836</u>	<u><i>1,357</i></u>

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****26 Pension provision – Local Government Pension Scheme (continued)**

The actual return on the plan assets (including any changes in share of assets) over the year ended 31 December 2020 was £51,000.

Defined benefit costs recognised in Statement of Comprehensive Income

	2020	<i>2019</i>
	£000	<i>£000</i>
Expenses	11	13
Net interest expense	7	6
	<u>18</u>	<u>19</u>

Defined benefit costs recognised in other comprehensive income

	2020	<i>2019</i>
	£000	<i>£000</i>
Experience gains and losses arising on the plan liabilities	34	83
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	-	24
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation	(389)	(221)
	<u>(355)</u>	<u>(114)</u>
Actuarial loss in respect of pension scheme		

Major categories of plan assets as a percentage of total plan assets:

	2020	2019
Equities	64%	56%
Bonds	26%	29%
Property	8%	14%
Cash	2%	1%

Financial Assumptions

The main financial assumptions used by the actuary in assessing scheme liabilities were:

	31 Dec 2020	<i>31 Dec 2019</i>
	% per annum	<i>% per annum</i>
Rate of increase in salaries	3.15	2.9
Discount rate	1.35	2.1
Inflation assumption (CPI)	2.45	2.2

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****26 Pension provision – Local Government Pension Scheme (continued)****Mortality assumptions**

The valuation was carried out using life expectancy figures based on the Fund's VitaCurves year of birth tables, with improvements in line with the CMI 2018 model assuming current rates of improvement have peaked and will converge to a long term of 1.25% per annum. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	31 December 2020	
	Males	Females
Current pensioners	21.9 years	24.1 years
Future pensioners	22.7 years	25.6 years

Contributions

The Association's contributions to the LGPS Scheme for the period ended 31 December 2020 were £47,000 (2019: £49,000) and the employers' contributions rate has been fixed as 33.4% of pensionable pay until 31 March 2021. At the year end £9,000 (2019: £5,000) contributions were payable to the scheme and are included in creditors. The estimated employer's contributions for the year to 31 December 2021 will be approximately £44,000.

27 Pension provision – the Pensions Trust Social Housing Pension Scheme

The Association participates in the Social Housing Pension Scheme SHPS (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore, the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2020. The Association's liability has been determined by calculating the liability of our members allowing for members with service split across multiple SHPS employers as appropriate. The liability for orphan members (members with no remaining sponsoring employer for historical reasons) has been allocated in proportion to each employer's share of the overall liabilities. This approach follows the same methodology as the allocation of the liabilities for participating employers in the Scheme when deriving the deficit recovery plan contributions at the latest trustee's triennial scheme funding valuation.

The Association's fair value of assets is determined as the Association's share of the market value of the Scheme assets split in proportion to the Association's share of the trustee's triennial funding liabilities (termed "Technical Provisions") at the accounting date. This process has been adopted as it is the approach adopted by the trustee should an employer bulk transfer from the scheme to an alternative defined benefit scheme. Hence the output is deemed to be the employer's fair value of assets. In order to obtain this fair value for an employer, the trustee's funding liabilities are calculated for all employers at

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****27 Pension provision – the Pensions Trust Social Housing Pension Scheme (continued)**

the accounting date. Each employer's percentage share of the total funding liabilities is then determined. That percentage share is then applied to the market value of the assets of the Scheme as at the accounting date to determine the employer's fair value of assets at the accounting date. Assumptions have been set with reference to the Association's membership and liability profile.

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	2020	<i>2019</i>
	£000	<i>£000</i>
Fair value of plan assets	14,636	11,780
Present value of defined benefit obligation	-	-
Present value of funded liabilities	(20,072)	(15,363)
	<u> </u>	<u> </u>
Net liability	<u>(5,436)</u>	<u>(3,583)</u>

Reconciliation of opening and closing balances of the fair value of plan assets

	2020	<i>2019</i>
	£000	<i>£000</i>
Fair value of plan assets at 1 January	11,780	10,117
Interest income	253	291
Contribution by scheme participants	249	208
Contributions by the employer	496	433
Experience on plan assets (excluding amounts in interest income) – gain	2,099	1,154
Benefits paid	(241)	(423)
	<u> </u>	<u> </u>
Fair value of plan assets at 31 December	<u>14,636</u>	<u>11,780</u>

Reconciliation of opening and closing balances of the defined benefit obligation

	2020	<i>2019</i>
	£000	<i>£000</i>
Defined benefit obligation at 1 January	15,363	13,432
Current and past service cost	192	138
Expenses	14	13
Interest cost	325	382
Contribution by scheme participants	249	208
Actuarial gains due to scheme experience	434	(121)
Actuarial losses due to changes in demographic assumptions	(195)	43
Actuarial losses due to changes in financial assumptions	3,931	1,691
Benefits paid	(241)	(423)
	<u> </u>	<u> </u>
Defined benefit obligation at 31 December	<u>20,072</u>	<u>15,363</u>

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****27 Pension provision – the Pensions Trust Social Housing Pension Scheme (continued)**

The actual return on the plan assets (including any changes in share of assets) over the year ended 31 December 2020 was £2,352,000.

Defined benefit costs recognised in Statement of Comprehensive Income

	2020	<i>2019</i>
	£000	<i>£000</i>
Expenses	206	151
Net interest expense	72	91
	<u>278</u>	<u>242</u>

Defined benefit costs recognised in other comprehensive income

	2020	<i>2019</i>
	£000	<i>£000</i>
De-recognition of funding agreement liability as at 1 January 2020	-	2,677
Recognition of net pension deficit as at 1 January 2020	-	(3,315)
	<u>-</u>	<u>(638)</u>
Initial recognition of multi-employer defined benefit pension scheme	-	(638)
	<u>-</u>	<u>(638)</u>
Experience gains and losses arising on the plan liabilities	1,665	1,275
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	195	(43)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation	(3,931)	(1,691)
	<u>(2,071)</u>	<u>(459)</u>
Actuarial loss in respect of pension scheme	(2,071)	(459)
	<u>(2,071)</u>	<u>(1,097)</u>
Total amount recognised in other comprehensive income – loss	(2,071)	(1,097)

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****27 Pension provision – the Pensions Trust Social Housing Pension Scheme (continued)****Major categories of plan assets as a percentage of total plan assets:**

	2020	<i>2019</i>
Equities	14.62%	19.4%
Bonds	5.7%	4.8%
Property	3.93%	4.1%
Absolute return fund	5.22%	4.7%
Cash	0.04%	0.3%
Other	70.48%	66.7%

Financial Assumptions

The main financial assumptions used by the actuary in assessing scheme liabilities were:

	31 Dec 2020	<i>31 Dec 2019</i>
	% per annum	<i>% per annum</i>
Rate of increase in salaries	3.51	3.0
Discount rate	1.48	2.1
Inflation assumption (CPI)	2.51	2.0

Mortality assumptions

Life expectancy is based on the S2PXA Tables and the CMI2017 improvement allowances. Based on these assumptions, the average future life expectancies from retirement age are summarised below:

	31 December 2020	
	Males	Females
Current pensioners	21.5 years	23.3 years
Future pensioners	22.9 years	24.5 years

Contributions

The Association's contributions to the SHPS Scheme for the period ended 31 December 2020 were £485,000 (2019: £429,000) with employers' contributions rate varying between 4.1% and 7% of pensionable pay, fixed until 31 March 2022. In addition, the Association has agreed to a deficit funding arrangement of £351,000 per annum, increasing annually on 1 April by inflation of 2.0% and payable until 30 September 2026.

At the year end £83,000 (2019: £105,000) contributions were payable to the scheme and are included in creditors. The estimated employer's contributions for the year to 31 December 2021 will be approximately £504,000.

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****28 Housing stock****Group and Association**

The number of units of housing under development and in management at 31 December was:

	2020	<i>2019</i>
<i>Housing units under development</i>	42	40
<i>Social housing accommodation under management</i>		
General needs housing – social rent	1,896	1,890
General needs housing – affordable rent	918	890
Supported housing and housing for older people	847	840
Low cost home ownership accommodation	138	120
Temporary social housing	108	108
Registered care home	10	10
Other	8	8
	<hr/>	<hr/>
	3,925	3,866
<i>Non-social housing accommodation under management</i>		
Market rented	68	12
	<hr/>	<hr/>
	4,035	3,918
	<hr/>	<hr/>

29 Accommodation managed by others**Group and Association**

	2020	<i>2019</i>
	Units	<i>Units</i>
Access Community Trust	62	62
Aspire	17	17
Break Disability	4	4
Heywoods Grange	10	10
Home Group	8	9
Selig Suffolk	2	2
Papworth	-	-
Stonham	-	-
United Response	-	-
	<hr/>	<hr/>
	103	104
	<hr/>	<hr/>

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****30 Share capital and reserves***Share capital*

	2020	<i>2019</i>
Group and Association	£	£
At beginning of year	29	29
Shares cancelled	(6)	(1)
Shares issued	3	1
	<hr/>	<hr/>
At end of year	26	29
	<hr/>	<hr/>

The share capital of the Association consists of shares with a nominal value of £1 each which carry no rights to vote, dividends or other income. Shares in issue are not capable of being repaid or transferred. Where a shareholder ceases to be a member that person's share is cancelled, and the amount paid up thereon becomes the property of the Association.

Reserves

Reserves comprise the following:

General reserve

Accumulated surpluses from the Statement of Comprehensive Income which are used to further the work of the Association and in particular support the ongoing development work and provision of new accommodation.

Restricted reserve

These are sinking funds in respect of specific items of major expenditure at specified supported housing schemes and which can only be spent in accordance with the principles laid down in the relevant lease or agreement.

31 Capital commitments

	2020	<i>2019</i>
Group	£000	£000
Expenditure contracted, less certified	2,772	4,249
	<hr/>	<hr/>

The above expenditure will be financed using Social Housing Grant (SHG) of £558,000 (2019: £82,000) together with Local Authority Grant of £nil (2019: £nil) and a loan facility of £2,214,000 (2019: £4,167,000)

	2020	<i>2019</i>
Association	£000	£000
Expenditure contracted, less certified	2,902	4,717
	<hr/>	<hr/>

The above expenditure will be financed using Social Housing Grant (SHG) of £558,000 (2019: £82,000) together with Local Authority Grant of £nil (2019: £nil) and a loan facility of £2,344,000 (2019: £4,635,000)

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****32 Commitments under operating leases****Group and Association**

As at 31 December, the Association and Group had commitments under non-cancellable operating leases for the following:

Land and buildings:	2020	<i>2019</i>
	£000	<i>£000</i>
Amounts due: Within one year	528	419
In one to five years	1,773	1,272
In more than five years	6,613	6,143
	<u>8,914</u>	<u>7,834</u>
Motor Vehicles:	2020	<i>2019</i>
	£000	<i>£000</i>
Amounts due: Within one year	190	207
In one to five years	172	235
	<u>362</u>	<u>442</u>
Other:	2020	<i>2019</i>
	£000	<i>£000</i>
Amounts due: Within one year	110	-
In one to five years	14	-
	<u>124</u>	<u>-</u>

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****33 Related party transactions****Group and Association**

The ultimate controlling party of the Group is the Board of the Association collectively.

During the year, the following transactions occurred with Orwell Homes Limited, a non-regulated wholly owned subsidiary of Orwell Housing Association Limited:

	2020	<i>2019</i>
	£000	<i>£000</i>
Purchases from Orwell Homes Limited	7,862	4,189
Salary costs recharged to Orwell Homes Limited	152	88
Interest credited to Orwell Homes Limited	1	2

At the year end, the net amount due to Orwell Homes Limited was £525,000 (2019: £595,000).

34 Reconciliation of consolidated surplus on ordinary activities to net cash inflow from operating activities

	2020	<i>2019</i>
Group	£000	<i>£000</i>
Surplus for the year	2,657	4,776
Depreciation, amortisation and impairment	3,323	1,642
Amortisation of grant	(925)	(958)
Defined benefit pension schemes	(200)	(269)
Provision movement	-	-
Loss/(Gain) on disposal of fixed assets	(49)	(184)
Loss on disposal of other fixed assets	197	-
Interest receivable	(13)	(34)
Interest payable	3,098	2,981
Taxation	-	(82)
	<hr/>	<hr/>
Operating cashflows before movements in working capital	8,088	<i>7,872</i>
(Increase) in investments	(3)	(12)
(Increase)/decrease in stocks	(1,956)	325
Decrease/(increase) in debtors	808	70
Increase/(Decrease) in creditors	2,083	606
	<hr/>	<hr/>
Cash generated from operating activities	9,020	<i>8,861</i>
	<hr/>	<hr/>

ORWELL HOUSING ASSOCIATION LIMITED**Notes forming part of the financial statements for the year ended 31 December 2020 (Continued)****35 Analysis of changes in net debt**

Group	At 1 January 2020	Cash flow	Other non- cash movements	At 31 December 2020
	£000	£000	£000	£000
Cash at bank and in hand	2,988	751	-	3,739
Creditors due in < 1 year: Current instalment of loans	(2,247)	869	-	(1,378)
Creditors due in > 1 year: Bank loan	(84,183)	(9,202)	51	(93,334)
Total	(83,442)	(7,582)	51	(90,973)

36 Contingent liabilities**Group and Association**

Social Housing Grants (SHG) are repayable in the event of the disposal of the related property. When this occurs, the total original grant is repayable and this comprises the unamortised balance as per note 23, together with the amortised amount. At the end of the year, the total amount of SHG potentially repayable was £91,267,000 (2019: £89,324,000).

37 Establishment as a Registered Social Landlord

The Association is an exempt charity, registered under the Co-operative and Community Benefit Societies Act 2014 and with the Social Housing Regulator (formerly the Homes and Communities Agency) as a Registered Provider.

38 Post Balance Sheet Events

The financial statements were approved by the Board on 24 March 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 December 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There were no post balance sheet events for the 2020 financial statements that required adjustment or disclosure.