



Housing People

**Report & Financial
Statements**
For the period ended
31 March 2021

Contents

	Page
Introduction from the Chair and Chief Executive	3
Strategic report	
• our strategy	6
• our performance and value for money	8
Report of the board	19
• governance	
• internal controls and risk management	
• compliance with Regulatory Standards	
Independent auditor's report to the members of Cornerstone Housing Ltd	25
Statement of comprehensive income	29
Statement of changes in equity	30
Statement of financial position	31
Statement of cash flows	32
Notes to the financial statements	34
Members, senior staff, advisors and bankers	56

Introduction from the Chair and Chief Executive

Since publishing Cornerstone's previous annual report, we have moved our financial year end from September to March, creating an eighteen month period for this set of accounts.

This report therefore covers the period from 1 October 2019 to 31 March 2021, during which time our sector, our country and our world have experienced dramatic change. Cornerstone's performance during that time is a tribute to the work carried out by our predecessors in building firm foundations for our organisation, and to all members of the Cornerstone team in rising to the challenge of delivering services to our customers during a pandemic.

In February 2020 Tom Woodman joined as Chief Executive and in March 2020 Peter Howard-Williams became Chair. At the same time as this the pandemic was in its early stages and the country was about to enter its first lockdown.

The impact of Coronavirus

Cornerstone rose to the challenge flexibly and effectively, supporting vulnerable customers and mitigating the impacts on staff. We maintained key services during the pandemic and achieved full landlord safety compliance throughout.

We made welfare phone calls to all residents and promptly introduced a hardship fund for customers who needed it. As part of this we also funded additional work from a local financial inclusion agency to give specialist support and advice where needed.

During summer 2020 we carried out an additional customer survey assessing customer perceptions of our services and support offered during the first lockdown. The results of this were positive and we used this information to refine services during subsequent phases of the pandemic.

Throughout the period we focused on staff wellbeing, support and communications. In the first lockdown our improvement sites had to close and we were pleased that many of our customer welfare phone calls were made by members of our trades teams working from home. We furloughed around half our staff through the government's Coronavirus Job Retention Scheme (CJRS), in the main for around six weeks with a Cornerstone top-up to 90% pay. During that time we encouraged frequent contact with the office and between teams to maintain morale.

Financial and operational performance

Despite the pandemic our performance remained strong. We achieved our targets for our financial surplus as well as our operational targets for managing rent arrears and letting empty homes.

During the period we developed plans for moving from our previous whole-house improvement sites to instead focus on phased component replacements such as windows, kitchens and bathrooms, in common with sector practice. This will release considerable resources in future for other elements of our strategy, including asset management, while still maintaining homes effectively and maximising the number of homes improved.

We have given particular attention to the safety of homes and buildings. We have no

dangerous cladding on our properties and only a handful of homes above the four storeys. This has enabled us to focus work on significantly improving our approach to safety and reporting in respect of gas, electric, fire, asbestos, legionella and lifts.

In 2012 Cornerstone signed a 125 year lease to secure the future of 44 Grade 1 listed almshouses at Mount Dinham. This challenging project was completed in 2021 and highlights our contribution to both Exeter's heritage and improving lives. Special thanks must go to the dedicated team who overcame the obstacles over the years in producing a spectacular result.

Peaks and troughs in our development programme have meant that during the period we acquired fewer new homes than planned. While we achieved only two new homes during the period, our plan is for 31 new homes in 2021/22. We also enabled new opportunities for several young people at risk of homelessness by continuing and expanding our partnership where we lease properties to Julian House in Exeter.

We thank all our staff for their hard work and commitment during such a challenging time; they are fundamental to achieving our performance.

Our new strategy

During autumn 2020 and spring 2021 we reviewed our corporate strategy and agreed a new business plan to deliver it; there is more detail on all aspects of the strategy in the next section of this report. As part of implementing this we are well on track for achieving EPC level C on all existing homes by 2030, and are refining our business plan to include all elements of zero carbon by 2050.

Customer services

A key element of our new strategy is that we focus first on existing homes and services, with development of new homes following on from this.

Our board has carefully considered the implications of the government's white paper on social housing and developed action plans to achieve its aims (including as part of the National Housing Federation's 'Together with Tenants' partnership).

In 2019-21 the board appointed a customer as a Cornerstone board member and is continuing to further develop avenues for customer voice and feedback reaching all levels of the organisation. While remaining generally high, resident satisfaction has declined during the period and we have been working closely with the resident Performance Panel on ways of addressing this.

Our planned customer census in 2021 will help us design services that are increasingly responsive to customer needs, lifestyles and aspirations.

Infrastructure investment

We have made a number of changes and improvements in how we work, including substantial IT investment in March 2020 which replaced ageing servers, improved our business continuity arrangements and enabled flexible and agile working during the pandemic and beyond.

Also during the period we have achieved a higher organisational profile of safety, health and wellbeing in our offices and on our sites. This has included increased learning from incidents and near-misses, and a continuing focus on mental health and resilience during and after the pandemic.

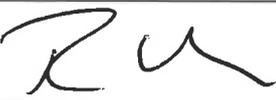
Like many organisations, our future model of working is a hybrid one, where our people work flexibly in the most effective ways possible. At the heart of that is our continued commitment to a physical office presence close to our communities in central Exeter, enabling us to work effectively as a team in delivering high-quality customer services.

Governance

During the eighteen months Peter Heron (chair), David Gunn and Simon Harding retired, and we thank them for their significant contributions over the years. We have been pleased to welcome Louise Cumberland and Janet Gale (with expertise in social policy and Cornerstone customer services respectively). Samantha Johnson (with expertise in asset management) joined the board in July 2021. We would like to thank all members of the board for their support during the last 18 months.

We have carried out extensive work on risk management and wider governance improvements (including remuneration of the board to enhance professionalism, recruitment and accountability). In January 2021 this was recognised by the Regulator of Social Housing (RSH) in restoring our governance grading to G1.

Having experienced eighteen months of significant change, we are confident that Cornerstone is in a sound position to move on with our new strategy. We look forward to working with our board, customers, staff team and business partners to take Cornerstone into the next phase of our evolution.

<p>Peter Howard-Williams Chair</p> 	<p>Tom Woodman Chief Executive</p> 
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Strategic report

The strategic report contains the following sections:

- our strategy
- our performance and value for money (VFM)

Our strategy

During the year we developed our new strategy for 2021-26, agreed by the board in May 2021.

The strategy sets out Cornerstone's long-term direction and ethos, together with the projects and metrics that we will use to deliver our goals and measure our progress.

Our strategy looks five years ahead, covering the period 2021-2026. It links closely to our 30-year long-term financial plan which ensures that we have resilient and robust foundations for our ambitions.

We will review the strategy every two years, each time looking another five years ahead. Our next strategy will be therefore be developed ready for April 2023, covering 2023 – 2028). Each intervening year the board will carry out a high-level review of the strategy to check that it remains appropriate for the operating environment.

The strategy contains the following elements:

- our purpose, vision and values
- cross-cutting themes that run through our work
- our framework for risk management (as outlined later in this report)
- high-level projects that will support delivery of our vision
- key metrics that enable us to measure our progress.

Our purpose

Home is what makes everything else possible. By offering safe, stable, affordable homes, Cornerstone opens the door to health and wellbeing, work and education, family, friends and communities.

Our vision

We work together to create places that people love to come home to. We achieve this by focusing on great places, great services, a great business and great people.

Our values

We are ambitious, we are responsible, we are positive, we are kind.

Cross-cutting themes that run through our work

In support of our purpose, vision and values we have four cross-cutting themes that run throughout our strategy and are used in all aspects of our work and decision-making:

- equality, diversity and inclusion
- safety, health and wellbeing
- financial viability and value for money
- environmental sustainability.

High-level projects that will support delivery of our vision

The major projects that will help us implement our strategy beginning in year one are set out in the value-for-money section of this report. Creation of the year two list will follow work on the strategies for customer services, treasury, development, and people.

Key metrics that enable us to measure our progress.

As set out later in the value-for-money section of this report, during 2021-22 we will be working on a wide review of performance measurement. This will include how we measure all aspects of our work, including social value. In advance of that work, our high-level measures and targets are that between April 2021 and March 2026 we will:

- a) maintain overall customer satisfaction at top quartile level, and maintain customer trust and net promoter score at their current level or better
- b) improve customer satisfaction with both the quality of homes and with neighbourhoods as a place to live, each from third quartile to top quartile
- c) carry out component replacements in our existing homes as set out in the annual budget and asset management plan
- d) improve the energy efficiency of our existing homes as set out in the annual budget and asset management plan, and be on target for all homes to be at EPC level C by 2030
- e) maintain safety of our homes at 100% compliance in respect of gas, electric, fire, water, asbestos and lifts
- f) increase our housing stock by the number of new homes set out in the business plan and create a pipeline to support our development ambitions
- g) improve staff satisfaction year on year and begin measuring employee net promoter score
- h) annually achieve our target business plan total cost per existing home and remain within all of the board's financial golden rules.

Our performance and value for money

Overall financial performance

We have changed our financial year end from 30 September to 31 March, bringing us in line with the rest of the sector. The period ended 31 March 2021 therefore comprised 18 months (2019: 12 months). During the period ended 31 March 2021 the total comprehensive income was £1.74m (2019: loss £0.63m).

As set out in the strategy section earlier in this report, our prime focus is the delivery of services and improvements to existing customers and homes. There was £2.04m (2019: £1.26m) of improvement work capitalised in the period, reflecting Cornerstone's ongoing investment in its housing stock.

Our approach to value for money

Value for money (VFM) is a key focus for Cornerstone's board and as a business we are continuously striving to improve the way we work to provide better services to our tenants, improve our homes and build more affordable homes. Value for money is central to this.

Cornerstone fully embraces the Value for Money Standard and Code of Practice published by the Regulator of Social Housing (RSH). The standard requires registered providers to publish a statement within their accounts to help stakeholders to understand their performance in relation to VFM. This includes performance against metrics set by the RSH and also requires organisations to demonstrate performance against their own targets, linked to strategic objectives.

Adoption of the standard enables Cornerstone's board to ensure that:

- optimal benefit is derived from Cornerstone's resources and assets
- we have a robust approach to decision making for improving Cornerstone's VFM
- we report on the VFM metrics and explain plans to address outliers.

The Financial Statements for period ending 31 March 2021 have been produced in accordance with the standard enabling Cornerstone to benchmark performance with other providers. The table overleaf provides comparative performance against several metrics using both Housemark and VFM metrics as defined by the RSH.

Strategic themes and metrics (see end of table for benchmark definitions)	2022 target	Peer benchmark (House mark)	Peer benchmark (South West)	Sector benchmark	2021 Target	2021 Actual	2019 Actual	2018 Actual
Great places								
Satisfaction with neighbourhood	-	88.1%	-	-	88.2%	79.0%	87.5%	82.7%
Homes developed	31	-	-	-	2	2	22	10
New supply delivered*	2.2%	-	2.8%	2.4%	0.1%	0.1%	1.6%	0.7%
Gearing*	31.7%	-	53.3%	54.7%	32.7%	32.3%	33.3%	34.3%
Reinvestment in housing*	5.6%	-	12.7%	10.0%	4.9%	4.0%	4.3%	4.1%
Great services								
Overall customer satisfaction	-	88.4%	-	-	94.4%	90.5%	94.4%	91.2%
Number of complaints	-	-	-	-	-	34	14	10
Complaints response time (working days)	-	-	-	-	10	5.9	7.8	6.2
Satisfaction repairs and maintenance	92.0%	91.9%	-	-	92.1%	93.1%	92.1%	90.2%
Average re-let times in days	20	20	-	-	20	14	41	22
Great business								
Interest cover (EBITDA-MRI)*	314%	-	231%	227%	213%	230%	256%	233%
Return on capital employed*	3.9%	-	4.0%	4.4%	3.0%	3.2%	3.5%	3.6%
Headline social housing cost per unit*	£3,096	-	£4,185	£4,860	£3,273	£3,293	£3,275	£3,059
Operating margin (SHL only)*	34.9%	-	29.0%	32.3%	32.7%	34.5%	31.1%	37.6%
Operating margin (Overall)*	38.5%	-	25.4%	28.6%	28.3%	30.6%	29.1%	34.1%
Tenant current arrears	0.8%	-	-	-	0.8%	0.29%	0.8%	0.8%
Great people								
Staff turnover ⁺	15.0%	11.6%	-	-	15.0%	16.5%	11.9%	9.7%
Average days sickness lost per employee ⁺	10.5	7.2	-	-	10.5	7.2	6.7	5.8

* VFM metrics required for publication by the RSH

⁺ figures are for April 2020 – March 2021 to give 12-month figures for comparison with previous years. Full 18-month figures were 29.2% and 10.9 days

In the table above we have used the best quartile from three benchmark groups to compare our own performance:

- peer benchmark (Housemark) – this is the group we have used in previous years, comprising all housing associations with 1k-20k homes in the south east and south west subscribing to Housemark (report extracted July 2021)
- peer benchmark (south west) - a group of 20 housing associations with a social housing stock presence in the south west of more than 50% (data published by the RSH for 31 March 2020)
- sector benchmark – extracted from the annex of the sector's global accounts (data published by the RSH for 31 March 2020)

Value for money in 2019-21, considered against our four strategic themes

In the sections below we consider our VFM performance during 2019-21 against each of the key enablers in our vision statement set out on page six; great places, great services, a great business and great people.

We use charts in each section to show our benchmarked performance against all quartiles in the peer benchmark (south west) group of 20 housing associations, alongside the national averages. These measures have been mandated by the RSH, including the definition of the measure, which sometimes differs to measures elsewhere in the financial statements and to our financial covenants.

Great places – our work in 2019-21

This strategic theme includes all our work on safety, new building, improving existing homes, managing neighbourhoods, and achieving zero-carbon in homes

New homes developed

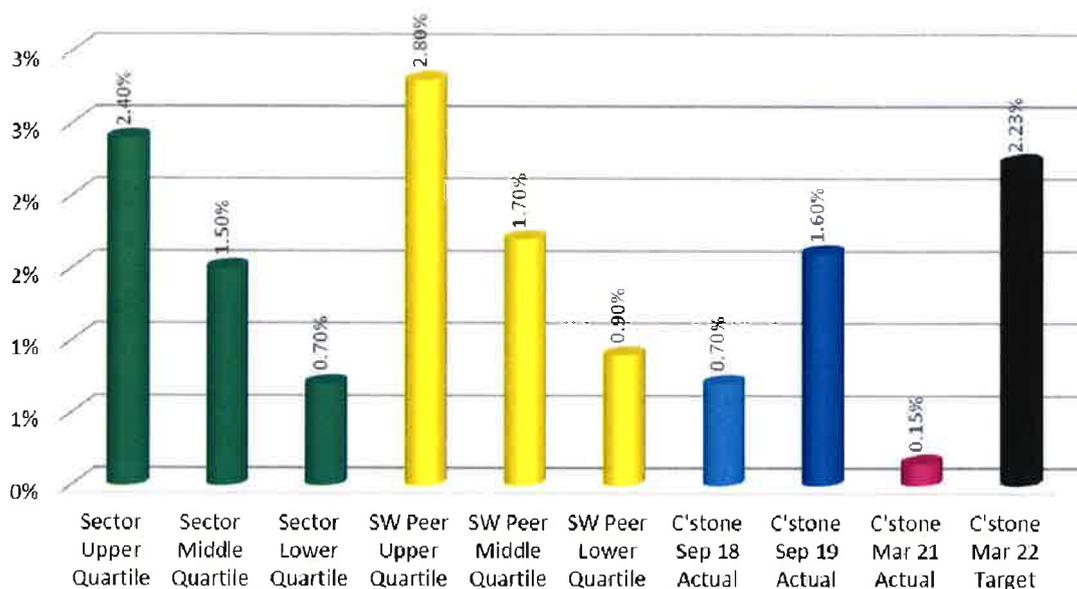
We are committed to meeting housing need through developing new homes in accordance with the board's strategy set out earlier in this report. In 2018/2019 we increased our revolving credit facility with Barclay's to £11m for five years. This was to provide funding to meet Cornerstone's development objectives. As at 31st March 2021, £7.2m was undrawn.

All developments are funded by Cornerstone's cash reserves, additional loans and grants. Cornerstone works in collaboration with local developers, supported by Homes England, to build more homes to provide additional quality homes for people who are in housing need. Our 30 year business plan demonstrates that our commitment to development can be achieved and that we will continue to meet our covenants, objectives and financial obligations going forward.

Due to site delays in 2019-21 we achieved fewer new homes than in previous years, this being two family homes for rent in Topsham. Among other issues we faced the insolvency of the lead contractor working on the Beacon Avenue new build project. Fortunately with swift action, we were able to claim on the performance bond and re-let the contract to reduce the impact on cost and delivery of the six flats.

Working with local development companies we have committed to deliver 31 new homes by March 2022, in Exeter and East Devon.

New Supply (Social) - %

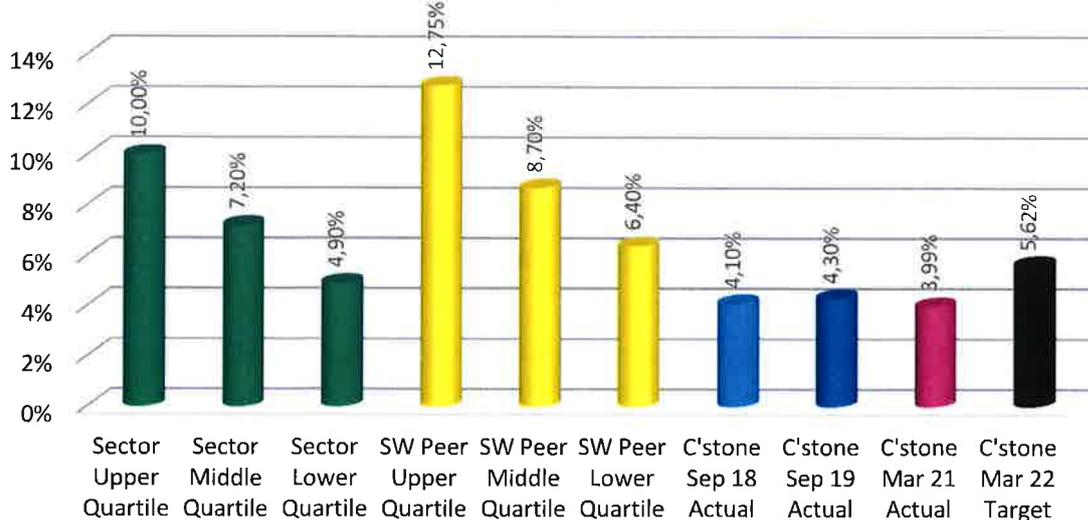


Reinvestment in housing

The timing of development handovers during the period has driven a lower than target result, however we continue work to expand our development and investment programme. Cornerstone's reinvestment rates have historically been lower compared against our peer group, and the Board has taken account of this in increasing the ambition within our new strategy.

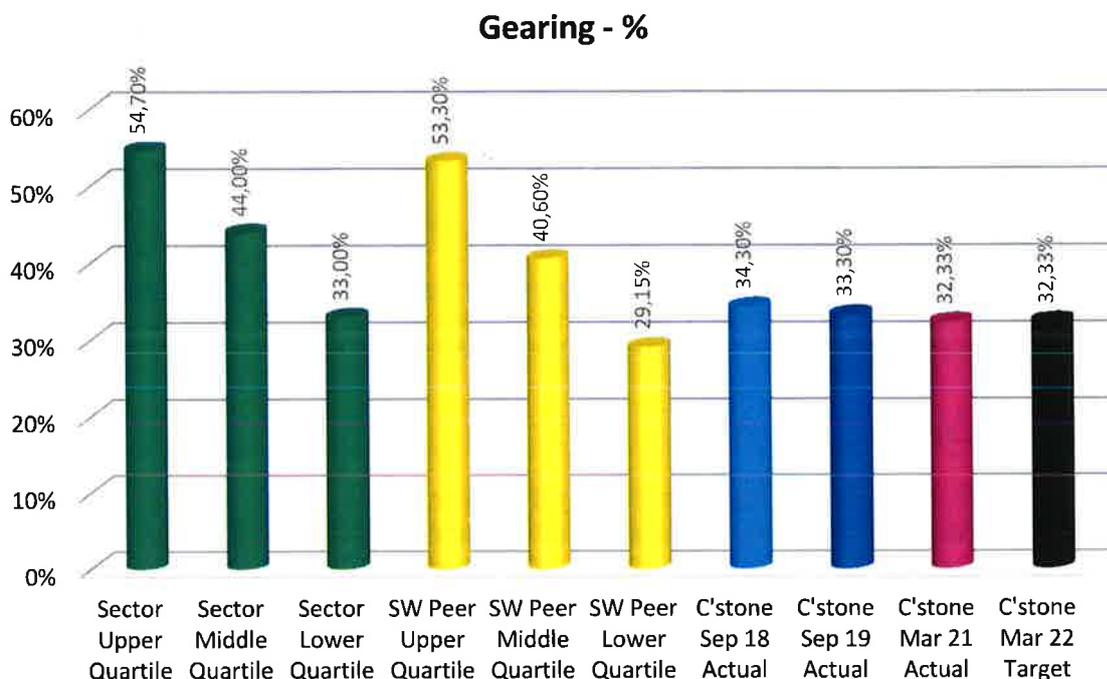
As part of our work in improving value for money, in December 2020 the board began a review of our current and future borrowing plans, supported by external advisers. The result of this review will be reported in next year's report, and is expected to create significant additional capacity for growth.

Reinvestment - %



Gearing

This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance. Our gearing over the last 3 years has remained consistently low and it reflects the board's financial risk appetite. During the period Cornerstone has funded large scale improvements through working capital and used bank borrowing to develop new homes whilst ensuring we can comfortably meet funders' requirements.



Investing in communities

As a local community housing association, we ensure that we maximise our impact on the communities we serve. As well as supporting local businesses via our supply network we also work with partners to support their work in communities.

Our Head of Housing sits on the Devon Home Choice board committed to tackling the housing crisis in the local area. Cornerstone is committed to supporting victims of domestic violence and abuse and regularly attends multi-agency meetings between representatives of local police, probation, health, child protection, independent Domestic Abuse Advisors and other specialists from the statutory and voluntary sectors.

We are part of the Devon Cross Authority Safeguarding and Housing Forum, whose role is finding creative solutions to problems faced by vulnerable people in Devon and improving links between safeguarding and housing.

Spending on resident participation and community development activities was lower than planned during the period, because of the impact of the pandemic on physical activities. Engagement continued using other means and will continue as a hybrid model in 2021.

Customer satisfaction with neighbourhoods

Customer satisfaction with their neighbourhoods as a place to live reduced to 79% in 2020, compared with 86% in 2019 (top quartile peer benchmark for Housemark 88.1%). We are disappointed with this performance and are working closely with our resident Performance Panel to develop an action plan for improvement. This will be reported back as part of our VFM assessment in 2022.

Plans for improving VFM for 'great places' in 2021-22

Plans for VFM improvements in 2021-22 include the following (with progress against them being included in our next annual report):

- implementation of the asset management strategy agreed by the board in May 2021, including moving from whole-house improvements to component replacement
- continuing our work on addressing the zero carbon agenda and embedding increased post-2030 improvement costs into our business plan
- agreeing our new development strategy, maximising the number of homes developed (after our strategic focus on existing homes and services), taking account of customer aspirations, housing need and sustainability
- considering the measurement of social value as a means of tracking progress against our strategic purpose and objectives
- working in partnership with Devon & Somerset Fire & Rescue on innovation in fire prevention and protection
- reviewing our approach to managing service charges in our neighbourhoods.

Great services – our work in 2019-21 and plans for 2021-22

This strategic theme includes all customer services, our customer relationship and customer voice (great places and safe places are a co-production between Cornerstone and our residents).

Satisfaction

Over the period of this report we have continued to work closely with our resident Performance Panel to improve services and take account of the views of residents. This included additional survey work in summer 2020 assessing customer perceptions of our services and support offered during the first lockdown. We used this information to improve services during subsequent phases of the pandemic.

We carried out our regular Star survey in autumn 2020, and as part of improving VFM comparisons we included additional metrics such as net promoter score. Headline results included:

- net promoter score 57.8 (UKCSI benchmark 23.5)
- overall satisfaction 90.5% (2019: 94.4%) (top quartile peer benchmark for Housemark 88.4%).

As with customer satisfaction in respect of neighbourhoods (above) we are working closely with the Performance Panel to understand the slight decline in satisfaction and develop improvement plans.

Relets

Historically our average re-let times have been higher than most of our sector peers due to the scale of the whole-house improvement work we have undertaken. The improvement programme has required tenants to be moved out and into other Cornerstone accommodation until their property is ready. During the period the average re-let time decreased to 14 days (2019:41 days). As set out in 'great places' above, the move from whole-house improvement to component replacement creates significant efficiencies in respect of relet times.

Plans for improving VFM for 'great services' in 2021-22

Plans for VFM improvements in 2021-22 include the following (with progress against them being included in our next annual report):

- agreeing a new customer services strategy, taking account of current performance and relating it to customer aspirations, as well as responding effectively to the government white paper on social housing and increasing our emphasis on customer voice
- exploring our ability to offer customers digital access to home and neighbourhood safety information, as well as refreshing our website to enhance navigation on mobile platforms
- completion of the tenant census (originally planned for 2019-21 but postponed because of the pandemic) with analysis of results for use in strategy development and service delivery
- resident consultation, linked to our work on customer voice, on the standards and outcomes that form part of the customer services, asset management and development strategies.

Great business – our work in 2019-21

This strategic theme includes all elements of VFM, efficiency, financial and operational effectiveness, business resilience, and net zero-carbon in the workplace.

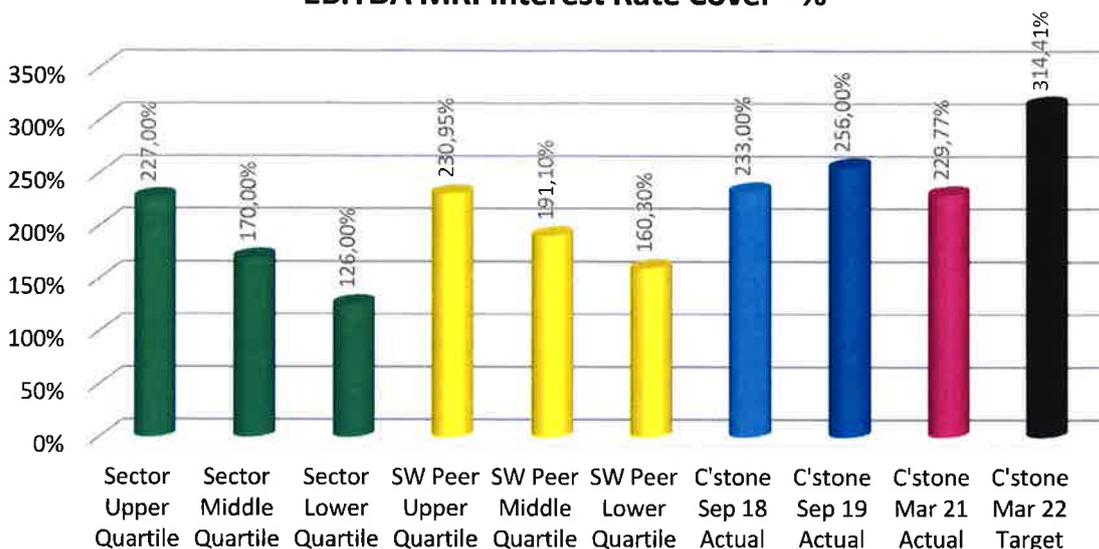
At the beginning of the pandemic in March 2020 we invested heavily in IT infrastructure, replacing outdated servers and moving to a number of cloud-based services. At the same time as this we moved to a predominately laptop-based approach enabling home working, supported by implementation of Microsoft Teams to facilitate collaborative working. This investment increased resilience and enabled us to continue to deliver customer services and landlord safety compliance at a critical time.

Interest cover

EBITDA-MRI interest cover measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates compared to interest payable; the measure avoids any distortions stemming from the depreciation charge. Cornerstone can comfortably cover its outstanding debt with interest cover of 230% (2019: 256%). Cornerstone's board stress tests our 30-year business plan

regularly and it has a clear understanding of what would cause Cornerstone significant financial distress. Cornerstone has mitigating strategies to deal with key exposures.

EBITDA MRI Interest Rate Cover - %

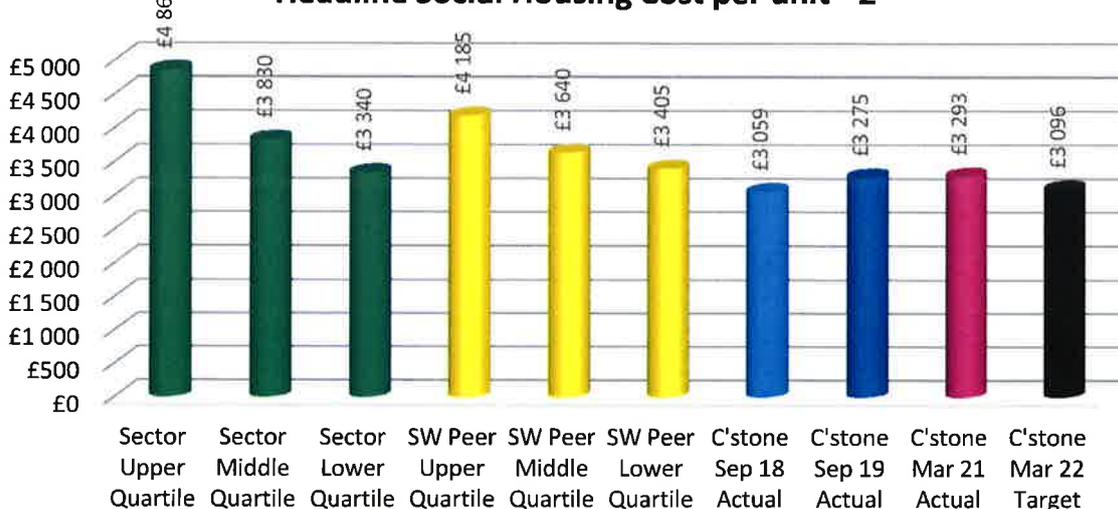


Headline social housing cost per unit

The unit cost metric assesses the headline social housing cost as defined by the RSH. Cornerstone's social housing cost per unit has increased in the period by £18 to £3,293 (2019: £3,275). The calculation includes furlough income via the Coronavirus Job Retention Scheme (CJRS). Cornerstone decided to pay furloughed employees 90% of their salaries compared to a recovery of 80% via CJRS. The impact of this was an increase to the cost per unit by £9.

As part of improving VFM we have reprocurced a number of services at more competitive rates and this will impact on cost-per-unit from 2021.

Headline Social Housing Cost per unit - £

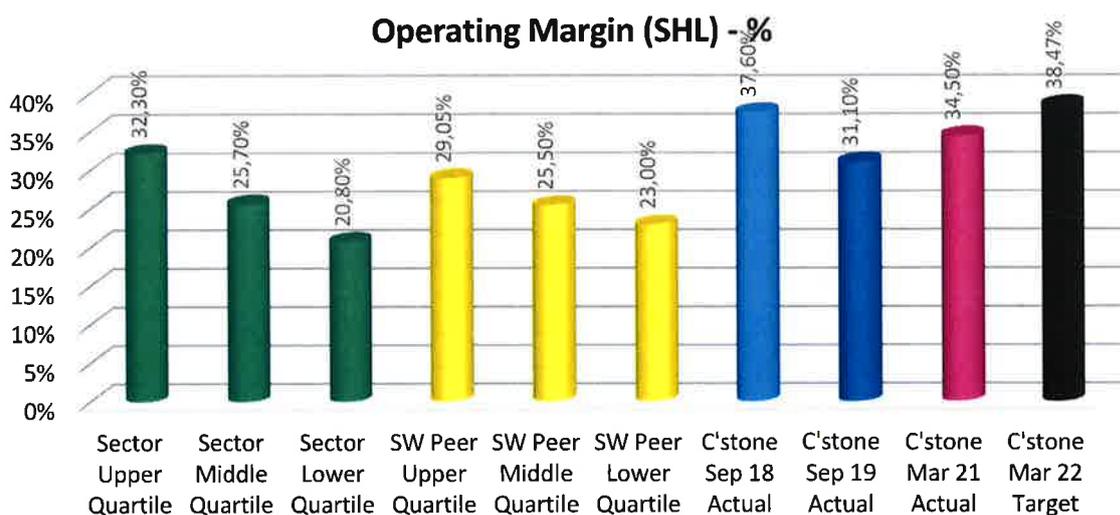
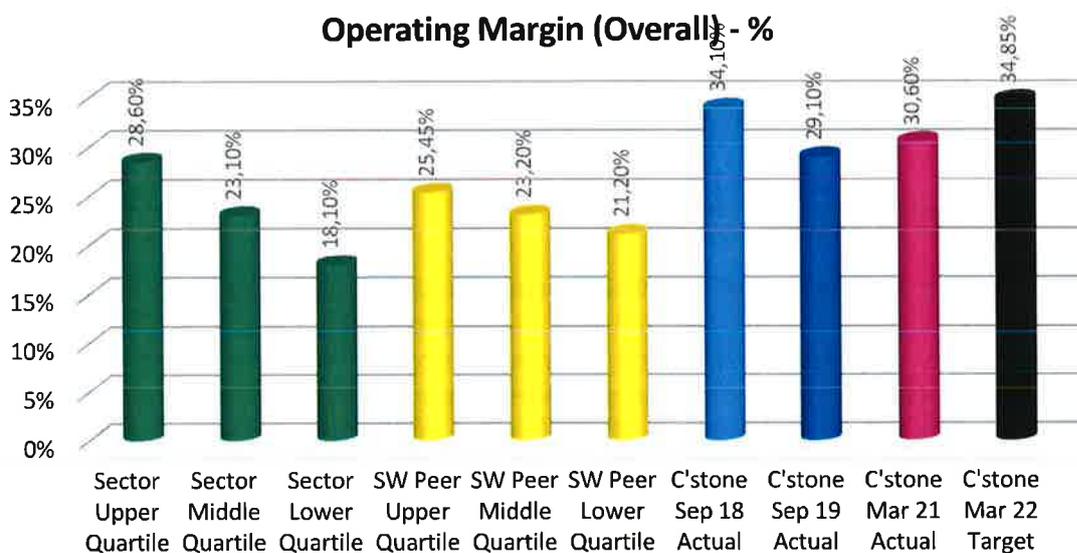


Operating margin

The operating margin demonstrates the profitability of operating assets before exceptional expenses are taken into account. Increasing margin is one way of evidencing the financial efficiency of a business. In assessing this ratio, it is important that consideration is given to Cornerstone's purpose and objectives.

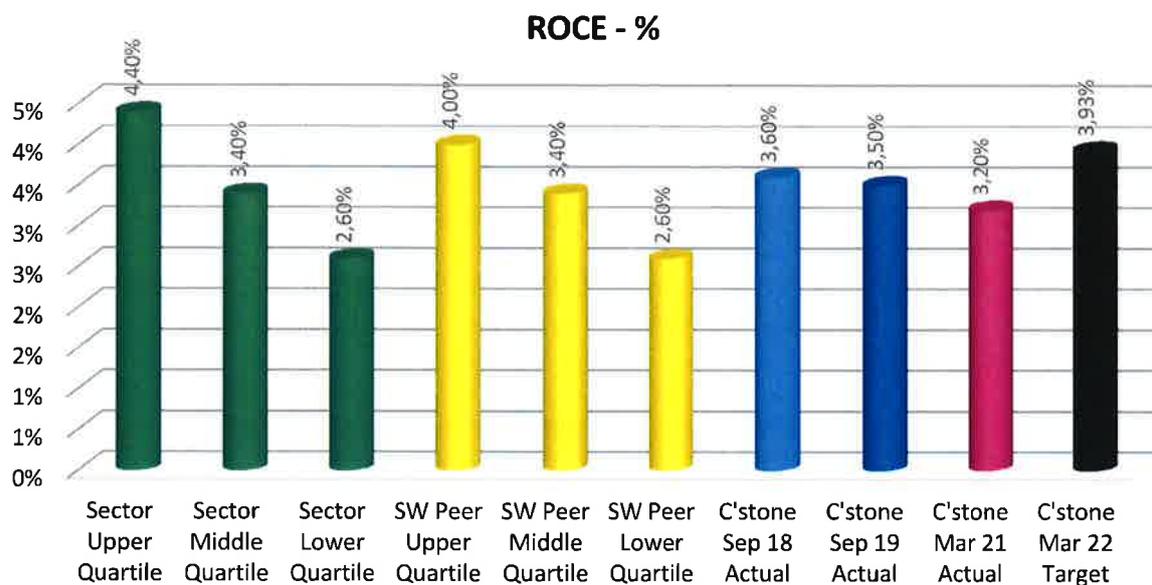
Operating margin on Social Housing Lettings (SHL) relates solely to income and expenditure attributable to social housing activities. During the period Cornerstone's overall operating margin on Social Housing Lettings was 34.5% (2019: 31.1%). This is a result of increased overall rental income during the period incorporating a CPI + 1% uplift from April 2020 offset by a 1% reduction for the period beforehand, whilst maintaining similar cost per unit levels, increasing surplus capacity.

Alongside social housing activities, operating margin overall includes all other activities (e.g. shared ownership first tranche sales, disposals etc). During the period Cornerstone's overall operating margin was 30.6% (2019: 29.1%).



Return on capital employed (ROCE)

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



Arrears

Despite the pandemic, we have decreased our overall arrears to 0.29% (2019: 0.8%). During this time we have given particular attention to supporting customers with advice on their finances, commissioned additional financial inclusion work, and set up a support fund to help people with emergency living expenses.

Plans for improving VFM for 'great business' in 2021-22

Plans for VFM improvements in 2021-22 include the following (with progress against them being included in our next annual report):

- agreeing a new treasury strategy to support our development aspirations, potentially including refinancing existing loans to optimise our portfolio
- reviewing the indicators that we use to measure performance and progress in delivering our work
- implementing Microsoft Teams Voice as a replacement for desk-based telephony, enabling increased agile working and improved customer services
- renegotiating / re-tendering our external IT support contract in order to ensure we have cost-effective and resilient back-office functions
- improving strategic engagement with local authorities, MPs, other agencies and community-based organisations.

Great people – our work in 2019-21

This strategic theme includes being a great place to work and the continuing development of all staff to reach their potential.

Clearly the pandemic was a difficult time for all staff, balancing additional challenges at work with unprecedented circumstances at home. We particularly focused on staff wellbeing over this time.

We furloughed the majority of our improvements, ground maintenance and painting teams for a two month period, at an enhanced rate of 90% (rather than the CJRS 80%) to take account of the fixed costs they had. We also furloughed a small number of office staff; this was for a shorter period, as they were more able to work from home.

Particular initiatives in 2019-21 that increased VFM in this area included introduction of a new cloud-based HR management system, enabling staffing efficiencies and improved productivity and information.

As set out in the earlier table, increased staff turnover reflected a number of staff members retiring after significant long service.

Plans for improving VFM for 'great people' in 2021-22

Plans for VFM improvements in 2021-22 include the following (with progress against them being included in our next annual report):

- carrying out a review of employment terms and conditions, including external benchmarking of reward
- develop strengthened approaches to support staff safety when lone working
- develop a revised appraisal process for all of the staff team, to include 360° appraisals for the Executive Team.

Report of the board

The board of Cornerstone Housing Limited presents its report together with the audited financial statements of Cornerstone Housing Limited ("Cornerstone" or "the Association") for the period ended 31st March 2021. Due to a change in the financial year end from September 30th to March 31st these financial statements represent a one-off period of 18 months.

Principal activities

Cornerstone Housing Limited is a not-for-profit registered social landlord administered by a remunerated board. Board members have been remunerated from 1st January 2021.

Financial risk management objectives and policies

Cornerstone's financial instruments comprise borrowings, cash and various items such as rental arrears and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to finance Cornerstone's operations.

The existence of these financial instruments exposes the Association to a number of financial risks. The main risks arising from the Association's financial instruments are considered by the board to be interest rate risk, liquidity risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Cornerstone finances its operations through retained surpluses and loans. The Association's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and variable rate facilities.

Liquidity risk

Cornerstone manages financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and invest cash assets safely and profitably. At the period end, the Association had £7.2 million of undrawn loan facilities in addition to drawn borrowings and an undrawn overdraft facility of £0.75m.

Credit risk

Cornerstone's principal credit risk relates to tenant arrears. This risk is managed by providing support to tenants and by closely monitoring the arrears of self-funding tenants. Welfare reform changes to the benefits system has continued to be identified as a key risk to Cornerstone and the board is assessing the impact of these changes.

National Housing Federation (NHF) Code of Governance

During the 18 month period reported on the board was using the 2015 NHF Code of Governance. Cornerstone complies with the principal recommendations of the Code. From 1st April 2021 the board have adopted the 2020 NHF Code of Governance.

Tenant involvement

We actively encourage tenants' involvement in decision-making. A Performance Panel of tenants scrutinises Cornerstone's activities and service standards and a Cornerstone resident was appointed to the board in December 2020.

Board members and executive officers

The board is responsible for Cornerstone's strategy and policy framework. It delegates the day to day management and implementation of that framework to the Chief Executive and Executive Team that comprises the Deputy Chief Executive, Head of Property Services, Head of Development and Head of Housing . The Executive meet at least monthly and regularly attend board meetings.

The board meets formally six times a year for regular business and more frequently if there are specific additional issues to discuss. During the 18 month period the board has met 12 times. It has two committees: Audit & Risk; and Remuneration & Nominations. For time-limited projects the board appoints members to 'task-and-finish' groups to oversee progress and report back to the board. During the 18-month period these have included groups on the 2019 regulatory judgement, the 2020 governance review, and the asset management strategy agreed in May 2021.

The current board members and the executive officers are set out at the end of this report. All of the board members served throughout the period except as shown.

Executive officers who served during the period are shown at the end of this report. Tom Woodman and Jo Martin, executive officers, were board members. No executive officers have any interest in Cornerstone's shares. Officers act as executives within the authority delegated by the board.

Since January 2021 our non-executive board members have been remunerated.

Our board is drawn from a wide background with experience in housing both as professionals and as tenants along with people from outside the social housing sector bringing together professional, commercial and local experience. Members of our board have worked in accountancy, dentistry and the NHS, banking, development, coaching and housing. They bring a wide range of skills and experience to our oversight and decision-making.

During the period ended 31 March 2021 three people were co-opted to the board following an external recruitment process. Based on the gaps identified by the board skills matrix people with experience of social care and asset management were sought. In addition, the chair of the tenant Performance Panel was also co-opted to the board. All three co-optees were women and increased the gender balance of the board from 10% women as at 1st October 2019 to 45% women as at 31st March 2021.

Under Rule D12.1 Darren Galliford and Phil Sweet will retire at the annual general meeting following expiry of their terms of office. They offer themselves for re-election and are eligible to do so.

Having been co-opted under rule D5 Louise Cumberland, Janet Gale (both co-opted in December 2020) and Samantha Johnson (co-opted in July 2021) offer themselves for election as board members under rule D11.

Employees

The strength of Cornerstone lies in the quality and commitment of its employees. Our ability to meet our objectives and responsibilities to tenants in an efficient and effective manner depends upon the contribution of employees throughout Cornerstone.

Cornerstone continues to provide information on the Association's objectives, progress and activities through regular office and departmental meetings, the senior management team and staff. Cornerstone provides training focused on quality and customer service and seeks employees' views on how to improve services and on matters of common concern.

In all areas of its work, Cornerstone is committed to equality, diversity and inclusion and promotes awareness of its commitment.

We have a particular focus on employee wellbeing and have a number of ongoing activities to promote mental health in the workplace.

Health and safety

The board prioritises its responsibilities on all matters relating to health and safety. Cornerstone has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

Cornerstone has an ongoing programme of on-site inspections using an independent consultancy for support and challenge. In addition annual audits are conducted at the depot and main office sites. The Health & Safety Committee (a staff group chaired by the Chief Executive) meets monthly to discuss issues and monitor compliance and performance. The minutes from this meeting are included in each set of board papers. The KPIs reported to the board include health and safety compliance and accident reporting.

Internal controls assurance

The board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The risk-based system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by Cornerstone is ongoing and has been in place throughout the period and to date.

Key elements of the control framework include:

Identification and evaluation of key risks

Cornerstone has a risk management framework for identifying and evaluating

risks which Cornerstone faces, and defines the elements to be incorporated into the risk register. The framework was subject to detailed review and enhancement during 2020 and continues to be strengthened on an ongoing basis.

The complete risk register is considered annually by the board with changes highlighted at each regular meeting following review by the Audit & Risk Committee. The Executive Team reviews the register on an ongoing basis making changes as appropriate. This provides a consistent and continual mechanism for the identification and evaluation of Cornerstone's risks, ensuring that any significant changes affecting key risks are reported to the board.

Internal control framework

Cornerstone's ability to identify and manage its exposure to key risks is fundamental to the effectiveness of the internal control environment. Elements included in Cornerstone's internal control framework are:

- strategic planning and reporting to ensure that the board and Executive Team are alert to changes in the internal and external environment
- regular performance monitoring across all areas of the organisation
- the recruitment and development of experienced and qualified staff combined with a robust staff appraisal system
- control over developments and improvement programmes
- regular review of policies and procedures and their effectiveness
- an open and effective communication network across the organisation.

Information and reporting systems

Financial reporting procedures include detailed budgets approved by the board for the year ahead and forecasts for subsequent years, in addition to regular supplementary financial reports including cash-flow and treasury monitoring and reporting.

Comprehensive management accounts are reviewed quarterly by the board. Regular reports are scheduled throughout the year to monitor progress and performance across all areas of the organisation's activities including comparison of actual performance compared with key performance indicators.

Monitoring

The effectiveness of the system of internal controls is the subject of management reporting and discussion. The Audit & Risk Committee takes an active part in reviewing the adequacy of the internal control systems in place, and ensures corrective action is taken in relation to any significant control issues. This review is supplemented by regular internal audit reports which provide independent assurance to the board through reports to the Audit & Risk Committee.

From 2010 to December 2020 the internal audit role was carried out by Mazars. Following a tender process Beaver & Struthers were appointed from January 2021.

Regulatory Standards

Cornerstone is a registered provider and must meet the standards of the Regulator of Social Housing comprising: the governance and financial viability standard; the value for money standard; the rent standard; the tenant involvement and empowerment standard; the home standard; the tenancy standard; and the neighbourhood and community standard.

During 2020 Cornerstone has assessed its compliance with all of these standards (using the resident Performance Panel to provide additional scrutiny and assurance on the consumer standards) and the board certifies compliance with the standards.

Annual General Meeting

The annual general meeting will be held on 22 September 2021 at Cornerstone House, Western Way, Exeter, EX1 1AL.

Auditors

A resolution to reappoint Nexia Smith and Williamson as auditors will be proposed at the forthcoming annual general meeting.

Statement of the responsibilities of the board for the report and financial statements

The board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the board to prepare financial statements for each financial year. Under that law the board has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under the Co-operative and Community Benefit Society legislation the board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association for that period.

In preparing these financial statements the board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Housing SORP 2018 Statement of Recommended Practice for social housing providers have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

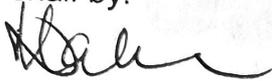
The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community

Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approval

The report of the board was approved by the board on 22 September 2021 and signed on its behalf by:



Nicola Hallam
Secretary



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CORNERSTONE HOUSING LIMITED

Opinion

We have audited the financial statements of Cornerstone Housing Limited (the 'Association') for the period ended 31 March 2021 which comprise the statement of comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows and the 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2021 and of its income and expenditure for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of 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.

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 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 other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information contained within the Report and Financial Statements. Our opinion on the financial statements does not cover the other

information and we do not express any form of assurance conclusion thereon. 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 course of 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 requires us to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in the Statement of the Board's Responsibilities set out on page 23, 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 controls as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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:

We obtained a general understanding of the Association's legal and regulatory framework through enquiry of management concerning: their understanding of relevant laws and regulations and the entity's policies and procedures regarding compliance. We also drew on our existing understanding of the Association's industry and regulation.

We understand that the Association complies with the framework through:

- Updating operating procedures, manuals and internal controls as legal and regulatory requirements change;
- A risk assessment framework and register that includes regular review and scrutiny by the Board and Audit and Risk Committee;
- An annual assessment of compliance with regulatory standards as applied to Registered Providers and enforced by the Regulator of Social Housing; and
- The Board's close oversight through regular board meetings and compliance reporting

In the context of the audit, we considered those laws and regulations: which determine the form and content of the financial statements; which are central to the Association's ability to conduct its business; and where failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the Association:

- FRS 102, the requirements of 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, in respect of the preparation and presentation of the financial statements;
- Health and safety regulations; and
- Regulatory standards as applied to Registered Providers and enforced by the Regulator of Social Housing.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations above:

- Performed a review of board minutes to identify any indicators of known or suspected non-compliance with significant laws and regulations; and
- Reviewed any correspondence between the Regulator of Social Housing and the Association.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the Association's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were with regard to the manipulation of the financial statements through manual journal entries.

The procedures carried out to gain evidence in the above areas included:

- Testing of a sample of manual journal entries, selected through applying specific risk assessments applied based on the Association's processes and controls surrounding manual journal entries; and
- reviewing and challenging estimates made by management;

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

Nexia Smith & Williamson

Nexia Smith & Williamson
Statutory Auditor

Chartered Accountants

Cumberland House
15-17 Cumberland Place
Southampton
Hants
SO15 2BG

[Date] 23 September 2021

Cornerstone Housing Limited
Report and financial statements for the 18-month period ended 31 March 2021

STATEMENT OF COMPREHENSIVE INCOME

	Note	2021 £'000	2019 £'000
Turnover	3	10,446	7,985
Cost of sales	3	-	(779)
Operating costs	3	(7,437)	(4,905)
Other operating income	3	199	34
Surplus on property sales	7	113	19
Operating surplus	3, 6	<u>3,321</u>	<u>2,354</u>
Surplus on sale of other tangible fixed assets		3	-
Interest receivable and other income	8	8	8
Interest payable and similar charges	9	(1,457)	(1,035)
Surplus on ordinary activities for the period		<u>1,875</u>	<u>1,327</u>
Other comprehensive income			
Initial recognition of multi-employer defined benefit scheme		-	(1,418)
Actuarial losses in respect of pension scheme	12	(134)	(539)
Total comprehensive income/(loss) for the period		<u>1,741</u>	<u>(630)</u>

All the above results derive from continuing operations.
The accompanying notes form an integral part of these financial statements.

Cornerstone Housing Limited
Report and financial statements for the 18-month period ended 31 March 2021

STATEMENT OF CHANGES IN EQUITY

	Called up share capital £'000	Revenue reserve £'000	Total equity £'000
Balance 1 October 2018	-	30,566	30,566
Deficit from statement of comprehensive income for the year	-	<u>(630)</u>	<u>(630)</u>
Balance at 1 October 2019	-	29,936	29,936
Surplus from statement of comprehensive income for the period	-	<u>1,741</u>	<u>1,741</u>
Balance at 31 March 2021	<u>-</u>	<u>31,677</u>	<u>31,677</u>

Cornerstone Housing Limited
Report and financial statements for the 18-month period ended 31 March 2021

STATEMENT OF FINANCIAL POSITION

	Note	2021 £'000	2019 £'000
Tangible assets			
Housing properties (depreciated cost)	15	65,257	64,194
Other tangible fixed assets	16	2,577	2,705
		<u>67,834</u>	<u>66,899</u>
Investment in subsidiary undertaking	17	-	-
		<u>67,834</u>	<u>66,899</u>
Current assets			
Stock	18	348	34
Debtors	19	218	147
Investments	20	405	405
Cash at bank and in hand		1,692	1,329
		<u>2,663</u>	<u>1,915</u>
Creditors: amounts falling due within one year	21	(1,949)	(1,827)
		<u>714</u>	<u>88</u>
Net current assets		<u>714</u>	<u>88</u>
Total assets less current liabilities		68,548	66,987
Creditors: amounts falling due after more than one year	22	(33,705)	(33,706)
Provisions: pension deficit liability	12	(3,166)	(3,345)
Net assets		<u>31,677</u>	<u>29,936</u>
Represented by:			
Capital and reserves:			
Non-equity share capital	26	-	-
Revenue reserve		31,677	29,936
		<u>31,677</u>	<u>29,936</u>

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board of Directors on *22 September* 2021.



P Howard-Williams
Chairman



T Woodman
Board Member



Nicola Hallam
Secretary

Cornerstone Housing Limited
Report and financial statements for the 18-month period ended 31 March 2021

STATEMENT OF CASH FLOWS

	Note	2021 £'000	2019 £'000
Net cash inflow from operating activities	27	4,709	3,887
Cash flows from investing activities			
Sale of housing properties		202	143
Purchase and construction of housing properties		(1,558)	(1,473)
Interest received		7	8
Capital improvements to existing housing properties		(2,044)	(1,258)
Sale of other fixed assets		4	1
Acquisitions of other fixed assets		(66)	(88)
Grants received to support capital expenditure		438	-
Net cash outflow from investing activities		<u>(3,017)</u>	<u>(2,667)</u>
Cash flows from financing activities			
Interest paid		(1,353)	(964)
Housing loans received		1,000	1,300
Housing loans repaid		(976)	(667)
Net cash outflow from financing activities		<u>(1,329)</u>	<u>(331)</u>
Net increase in cash and cash equivalents		363	889
Cash and cash equivalents at 1 October		<u>1,329</u>	<u>440</u>
Cash and cash equivalents at 31 March		<u>1,692</u>	<u>1,329</u>

The accompanying notes form part of these financial statements.

Cornerstone Housing Limited**Report and financial statements for the 18-month period ended 31 March 2021****RECONCILIATION OF NET DEBT**

	At 1st October 2019 £'000	Cash flows £'000	Other non cash changes £'000	At 31st March 2021 £'000
Cash and cash equivalents				
Cash and Cash equivalents	1,329	363	-	1,692
	<hr/>	<hr/>	<hr/>	<hr/>
	1,329	363	-	1,692
Borrowings				
Debt due within one year	(647)	647	(671)	(671)
Debt due after one year	(22,268)	(671)	670	(22,269)
	<hr/>	<hr/>	<hr/>	<hr/>
	(22,915)	(24)	(1)	(22,940)
Total	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	(21,586)	339	(1)	(21,248)

Cornerstone Housing Limited
Report and financial statements for the 18-month period ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Legal status

Cornerstone Housing Limited is a registered society under the Co-operative and Community Benefit Societies Act 2014 and is a registered provider of social housing with the Regulator of Social Housing. Cornerstone is a public benefit entity as defined by FRS 102 and was incorporated in England. The registered trading address is Cornerstone House, Western Way, Exeter, EX1 1AL.

Accounting policies and basis of preparation

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

Reporting period

The financial statements to 31 March 2021 consisted of an 18-month period. The rationale behind this decision was to align with most of the sector and create the opportunity for more efficient benchmarking functionality. The comparative financials for financial year ended 30 September 2019 cover 12 months, and therefore are not directly comparable.

The principal accounting policies of Cornerstone are set out below.

Measurement convention

The financial statements are prepared under the historical cost convention except that certain housing loans are stated at their fair value.

Turnover and revenue recognition

Turnover represents rental and service charge income receivable (net of void losses), fees receivable, proceeds from first tranche sales of low-cost home ownership and from properties developed for open market sales, and amortisation of Social Housing Grant (SHG) under the accrual model. Rental income and service charges are recognised in the period to which they relate. Proceeds on sales are recognised on completion. Other income is recognised as receivable on the delivery of services provided.

Revenue grants are credited to the statement of comprehensive income over the period in which the related expenditure is incurred.

Cornerstone Housing Limited
Report and financial statements for the 18-month period ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

Value added tax

The Association, up until 31 December 2019 charged value added tax (VAT) on some of its income and was able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is not recoverable.

The Association de-registered from VAT from 1 January 2020.

Interest payable

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- a) interest on borrowings specifically financing the development programme after deduction of Social Housing Grant (SHG) received in advance; or
- b) a fair amount of interest on borrowings of the Association as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is expensed as incurred.

Pensions

The cost of providing retirement pensions and related benefits is accounted for in accordance with Section 28 of FRS 102 'Employee Benefits'.

Cornerstone has two pension schemes operating; defined benefit and defined contribution, both of which are with the Social Housing Pension Scheme (SHPS).

The defined benefit scheme consists of a final salary pension scheme for some of its employees in the SHPS which is a multi-employer defined benefit scheme.

The assets of the schemes are held and managed separately from those of the Association. The pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

The pension scheme surpluses (to the extent that they are recoverable) or deficits are recognised in full. The movement in the scheme surpluses/deficits is split between operating charges, finance items and actuarial gains and losses.

Where a scheme is in deficit the Association recognises its liability for this obligation.

New employees are auto enrolled into the defined contribution pension scheme.

Taxation

Cornerstone is an exempt charity and is therefore not subject to corporation tax on its charitable activities.

Cornerstone Housing Limited
Report and financial statements for the 18-month period ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

Housing properties

Housing properties include properties available for rent and retained interests in properties sold under shared ownership leases and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and directly attributable development administration costs.

Enhancement expenditure consists of works to existing properties which result in an increase in the net rental stream and is capitalised only to the extent that the total costs, including enhancements, do not exceed the greater of net realisable value and value in use.

Interest on net borrowings, to the extent that it is financing developments, is capitalised up to the date of practical completion of the scheme. Interest capitalised is net of interest receivable on SHG received in advance of practical completion.

Shared ownership properties are split proportionally between current and fixed 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 included in turnover and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Donated land

Land donated is added to cost at the market value of the land at the time of the donation.

Social Housing Grant and other capital grants

Social Housing Grant (SHG) and other capital grants receivable, including donated land, in respect of the capital cost of housing properties, are initially recognised at book value as a long term liability, specifically as deferred grant income and released through the statement of comprehensive income as turnover over the life of the structure of housing properties in accordance with the accrual method applicable to social landlords accounting for housing properties at cost in line with SORP 2018.

SHG due from Homes England is included as a current asset and SHG received in advance is included as a current liability.

On disposal of properties, all associated SHG is transferred to either the Recycled Capital Grant Fund (RCGF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

All SHG remains repayable unless abated or waived by Homes England but, with the agency's agreement, is subordinated to other loans.

Cornerstone Housing Limited
Report and financial statements for the 18-month period ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

Depreciation and impairment of housing properties

Housing properties are split between land, structure costs and, where the Association has a maintenance liability, major components that require periodic replacement.

No depreciation is provided on freehold land. Structure costs are depreciated by equal annual instalments over the estimated useful economic life from the date of acquisition. Where the Association has a maintenance liability for components these costs are depreciated separately over their estimated useful lives.

Rented properties:	
Structure – new build	Not exceeding 100 years
Structure – other	Not exceeding 100 years
Roofs	50 years
Kitchens	25 years
Bathrooms	30 years
Windows and doors	30 years
Mechanical systems for heating, ventilation and plumbing	40 years
Electrics	40 years
Lifts	20 years
Shared ownership properties	Not exceeding 100 years

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Housing properties are reviewed annually for evidence of impairment. Where there is evidence of impairment properties are written down to their recoverable amount.

Components earmarked for removal, during periods of improvement works to existing properties, are considered an indicator of impairment and are written down to nil net book value.

Other tangible fixed assets

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

Depreciation is provided on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold buildings	-	At 2% straight line
Motor vehicles	-	At 25% reducing balance
Loose tools and equipment	-	At 20% straight line
Office furniture, fittings and equipment	-	At 25% straight line
Computer equipment	-	At 25% straight line
Computer software	-	Between 10% and 25% straight line

Cornerstone Housing Limited
Report and financial statements for the 18-month period ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

Bad and doubtful debts

Provision is made against rent arrears of current and former tenants as well as miscellaneous debts to the extent that they are considered irrecoverable. All former tenant arrears are fully provided for in the year that they occur.

Stocks

Stocks are of building materials and are stated at the lower of cost and net realisable value.

Properties held for sale and work in progress

Shared ownership first tranche sales, completed properties for outright sale and properties for outright sale under construction are recognised at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Interest incurred is also capitalised during the course of obtaining planning and throughout the work in progress up to the point of practical completion of the development scheme. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Cyclical repairs and maintenance

The Association has established a regular programme of cyclical repair and maintenance. The actual costs are charged to the statement of comprehensive income as incurred.

Current asset investments

Current asset investments comprise short term money market deposits and are held at cost, including accrued interest.

Financial instruments

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

Tenant arrears, trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Association's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Other financial instruments not meeting the definition of basic financial instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss.

Cornerstone Housing Limited
Report and financial statements for the 18-month period ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make significant judgements and estimates that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Estimation uncertainty

a) Estimated useful lives of housing properties and other tangible assets

At the date of capitalising tangible fixed assets, Cornerstone estimates the useful life of the asset based upon management's judgement and experience. Due to the significance of capital investment to Cornerstone, variances between actual and estimated economic lives could affect Cornerstone's result positively or negatively.

b) Impairment of trade and other account receivables

Cornerstone estimates the recoverable value of trade and other account receivables. When assessing the impairment, management consider factors including the current credit rating of the account, the ageing profile and historical experience. As at 31 March 2021 rent and service charges receivable, net of provision for bad and doubtful debts, is £33,000 (2019: £35,000) as set out in note 19.

c) Pensions

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

Cornerstone Housing Limited
Report and financial statements for the 18 month period ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Note	2021				
		Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus on property sales £'000	Operating surplus £'000
Social housing lettings (note 4)		10,446	-	(6,990)	-	3,456
Other social housing activities						
Development costs not capitalised		-	-	(447)	-	(447)
Shared ownership first tranche sales		-	-	-	-	-
Other income	10	199	-	-	-	199
Surplus on property sales	7	-	-	-	113	113
		10,645	-	(7,437)	113	3,321
2019						
		Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus on property sales £'000	Operating surplus £'000
Social housing lettings (note 4)		6,725	-	(4,635)	-	2,090
Other social housing activities						
Development costs not capitalised		-	-	(264)	-	(264)
Shared ownership first tranche sales		1,260	(779)	-	-	481
Other income	10	34	-	(6)	-	28
Surplus on property sales	7	-	-	-	19	19
		8,019	(779)	(4,905)	19	2,354

There were no non-social housing activities in the period.

Cornerstone Housing Limited
Report and financial statements for the 18 month period ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

4. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	General needs housing £'000	Shared ownership £'000	2021 £'000	2019 £'000
Income from social housing lettings				
Rent receivable net of identifiable service charges	9,383	217	9,600	6,167
Service charges receivable	340	23	363	237
Amortised government grant	481	2	483	321
Turnover from social housing lettings	10,204	242	10,446	6,725
Expenditure				
Management	(1,266)	(51)	(1,317)	(769)
Services	(349)	(23)	(372)	(277)
Routine maintenance	(1,194)	-	(1,194)	(914)
Planned maintenance	(335)	-	(335)	(226)
Major repairs expenditure	(807)	-	(807)	(595)
Bad debts	(4)	-	(4)	(12)
Depreciation of housing properties	(2,420)	(50)	(2,470)	(1,625)
Other costs - SHPS past service deficit re-measurement under defined contribution accounting (see note 12)	-	-	-	-
Other costs - SHPS other pension adjustments under defined benefit accounting (see note 12)	398	-	398	242
Other costs - SHPS deficit contributions paid (see note 12)	(557)	-	(557)	(314)
Other costs - gardening, aids and adaptations, and operating leases	(332)	-	(332)	(145)
Operating costs on social housing lettings	(6,866)	(124)	(6,990)	(4,635)
Operating surplus on lettings	3,338	118	3,456	2,090
Income foregone as a result of voids	196	-	196	180

The income foregone as a result of voids includes properties kept empty during periods of planned improvement works. The value of income foregone as a result of voids arising during the period was £195,825 (2019: £179,661).

5. ACCOMMODATION IN MANAGEMENT AND DEVELOPMENT

At the end of the period accommodation in management for each class of accommodation was as follows:

	2021 units	2019 units
Social housing		
Owned and managed:		
Rented	1,302	1,301
Shared ownership	54	55
Owned and managed by others:	4	4
Managed:		
Rented	27	22
Total managed	1,387	1,382
Accommodation in development at the period end	31	2

Cornerstone Housing Limited
Report and financial statements for the 18 month period ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

6. OPERATING SURPLUS

	2021	2019
	£'000	£'000
The operating surplus is arrived at after charging:		
Depreciation of housing properties	2,470	1,625
Depreciation of other tangible fixed assets	193	135
Auditors' remuneration (including VAT) :		
- Fees payable to the Association's auditors for the audit of the financial statements	22	17
Operating lease rentals - land and buildings	200	100
	<u> </u>	<u> </u>

7. SURPLUS ON PROPERTY SALES

	2021	2019
	£'000	£'000
Disposal proceeds	203	147
Less: cost of sales	(90)	(128)
	<u> </u>	<u> </u>
	113	19

8. INTEREST RECEIVABLE AND OTHER INCOME

	2021	2019
	£'000	£'000
Bank and deposits	8	8
	<u> </u>	<u> </u>

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2021	2019
	£'000	£'000
Loans and bank overdrafts	1,385	987
Interest payable capitalised on developments under construction	(13)	(32)
Net interest expense in respect of defined benefit pension provision (note 12)	85	80
	<u> </u>	<u> </u>
	1,457	1,035
Capitalisation rate used to determine the finance costs capitalised during the period	1.52%	4.08%
	<u> </u>	<u> </u>

10. OTHER INCOME

The Coronavirus Job Retention Scheme (CJRS) is the UK government's flagship support measure for organisations during the COVID-19 pandemic. It offers grants to cover a proportion of the salaries of furloughed staff. During the period, Cornerstone furloughed 36 employees between March 2020 and July 2020. The amount received via this scheme is detailed below.

	2021	2019
	£'000	£'000
Other income	47	34
Coronavirus Job Retention Scheme (CJRS)	152	-
	<u> </u>	<u> </u>
	199	34

Cornerstone Housing Limited
Report and financial statements for the 18 month period ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

11. EMPLOYEES

The average monthly number of employees expressed as full time equivalents:

	2021	2019
	No.	No.
Housing & administration	26	27
Direct labour force	41	44
Estate based staff	1	1
	<u>68</u>	<u>72</u>

Employee costs:

	2021	2019
	£'000	£'000
Wages and salaries	3,239	2,127
Social security costs	303	200
Other pension costs	249	164
	<u>3,791</u>	<u>2,491</u>

The Association's employees are members of the Social Housing Pension Scheme (SHPS).

12. PENSIONS

Cornerstone participates in the Social Housing Pension Scheme (SHPS) with the selected benefit structure of a defined contribution scheme for entrants since 1 October 2010. Employees who participated in the pension scheme prior to 1 October 2010 have a benefit structure of a defined benefit scheme.

Social Housing Pension Scheme (SHPS): Defined Benefit Pension Scheme

Cornerstone participates in 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 Pension 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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the Association is potentially liable for other participating employers' obligation 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.

Cornerstone contributes 10.27% of pensionable salary for defined benefit members of the SHPS defined benefit pension scheme.

Cornerstone Housing Limited
Report and financial statements for the 18 month period ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

12. PENSIONS (continued)

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

	2021	2019
	£'000	£'000
Fair value of plan assets	13,867	13,194
Present value of defined benefit obligation	<u>(17,033)</u>	<u>(16,539)</u>
Deficit in plan	<u>(3,166)</u>	<u>(3,345)</u>
Defined benefit liability to be recognised	<u>(3,166)</u>	<u>(3,345)</u>

Reconciliation of opening and closing balances of the defined benefit liability

	2021	2019
	£'000	£'000
Opening defined benefit liability	(3,345)	(2,968)
Service costs	(259)	(152)
Contributions	669	402
Interest expense	(85)	(80)
Actuarial movements	(483)	(2,348)
Return of assets	349	1,809
Other expenses	(12)	(8)
Defined benefit obligation at end of period	<u>(3,166)</u>	<u>(3,345)</u>

Reconciliation of opening and closing balances of the defined benefit obligation

	2021	2019
	£'000	£'000
Defined benefit obligation at start of period	16,539	13,707
Current service cost	259	152
Expenses	12	8
Interest expense	444	386
Contributions by plan participants	104	96
Actuarial losses due to scheme experience	14	(188)
Actuarial gains due to changes in demographic assumptions	(123)	45
Actuarial losses due to changes in financial assumptions	592	2,491
Benefits paid and expenses	<u>(808)</u>	<u>(158)</u>
Defined benefit obligation at end of period	<u>17,033</u>	<u>16,539</u>

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

	2021	2019
	£'000	£'000
Fair value of plan assets at start of period	13,194	10,739
Interest income	359	306
Experience on plan assets (excluding amounts included in interest income) - gain	349	1,809
Contributions by the employer	669	402
Contributions by plan participants	104	96
Benefits paid and expenses	<u>(808)</u>	<u>(158)</u>
Fair value of plan assets at end of period	<u>13,867</u>	<u>13,194</u>

Cornerstone Housing Limited
Report and financial statements for the 18 month period ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

Defined benefit costs recognised in Statement of Comprehensive Income (SOC1)

	2021	2019
	£'000	£'000
Current service cost	259	152
Expenses	12	8
Net interest expense	85	80
Defined benefit costs recognised in SOC1	<u>356</u>	<u>240</u>

Defined benefit costs recognised in other comprehensive income

	2021	2019
	£'000	£'000
Experience on plan assets (excluding amounts included in net interest cost) - gain	349	1,809
Experience gains and losses arising on the plan liabilities –(loss)/gain	(14)	188
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	123	(45)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)	(592)	(2,491)
Total amount recognised in other comprehensive income – (loss)	<u>(134)</u>	<u>(539)</u>

Key Assumptions

	2021	2019
	% per annum	% per annum
Discount Rate	2.18	1.81
Inflation (RPI)	3.27	3.09
Inflation (CPI)	2.87	2.09
Salary Growth	3.87	3.09
	75% of	75% of
	maximum	maximum
Allowance for commutation of pension for cash at retirement	allowance	allowance

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies;

	Life expectancy at age 65 (Years)	Life expectancy at age 65 (Years)
Male retiring in 2021/2019	21.6	21.8
Female retiring in 2021/2019	23.5	23.5
Male retiring in 2041/2039	22.9	23.2
Female retiring in 2041/2039	25.1	24.7

Social Housing Pension Scheme (SHPS): Defined Contribution Pension Scheme

Entrants to the pension scheme since 1 October 2010 participate in the SHPS defined contribution scheme.

The pension cost charge representing contributions payable by Cornerstone to the scheme for the period amounted to £129,268 (2019: £65,573)

Contributions amounting to £11,231 (2019: £10,427) were payable to the scheme at the end of the financial year and were included in creditors. These contributions were paid over during April 2021.

Cornerstone Housing Limited
Report and financial statements for the 18 month period ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

13. KEY MANAGEMENT PERSONNEL

Key management personnel are the Senior Management Team and the Board. They are detailed in the Members, Senior Staff, Advisors and Bankers section of these accounts.

The senior management personnel who are members of the board are the Chief Executive and the Deputy Chief Executive.

From 1st January 2021 the non-executive board members starting receiving emoluments. The remuneration paid to key management personnel during the period was as follows:

**Key management personnel
(including executive directors)**

	Basic salary	Benefits in kind	Pension contributions	2021 Total	2019 Total
	£'000	£'000	£'000	£'000	£'000
Aggregate emoluments of non-executive board members	6	-	-	6	-
Aggregate emoluments of key management personnel	523	-	47	570	334
Total	529	-	47	576	334

In addition social security costs were incurred for key management personnel compensation of £63,032 (2019: £37,076).

	2021	2019
	£'000	£'000
The emoluments payable to the highest paid executive in the 18-month period, excluding pension contributions	<u>119</u>	<u>89</u>

The Chief Executive is a member of the Social Housing Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply.

Full time equivalent number of staff who received remuneration, excluding pension contributions, above £60,000 were key management personnel and received remuneration in the following annualised bands:

	2021	2019
	£'000	£'000
£90,001 to £100,000	1	-
£80,001 to £90,000	-	1
£70,001 to £80,000	1	-
£60,001 to £70,000	<u>-</u>	<u>-</u>

14. TAXATION

The Association has charitable status and its activities during the period did not give rise to a corporation tax liability.

Cornerstone Housing Limited
Report and financial statements for the 18 month period ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

15. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES

	Social housing properties held for letting	Social housing properties under construction	Completed shared ownership housing properties	Shared ownership housing properties under construction	Total housing properties
Cost	£'000	£'000	£'000	£'000	£'000
At 1 October 2019	81,017	247	3,326	-	84,590
Adjusted opening balance	71	-	(35)	-	36
Revised opening position at 1 October 2019	81,088	247	3,291	-	84,626
Additions	-	1,061	-	470	1,531
Works to existing properties	2,044	-	-	-	2,044
Interest capitalised	-	7	-	3	10
Schemes completed	271	(271)	-	-	-
Component disposals	(179)	-	-	-	(179)
Property disposals	-	-	(95)	-	(95)
At 31 March 2021	83,224	1,044	3,196	473	87,937
Depreciation and impairment					
At 1 October 2019	20,189	-	207	-	20,396
Adjusted opening balance	1	-	(1)	-	-
Revised opening position at 1 October 2019	20,190	-	206	-	20,396
Depreciation charge	2,342	-	50	-	2,392
Released on replacement of components	(101)	-	-	-	(101)
Released on disposal	-	-	(7)	-	(7)
At 31 March 2021	22,431	-	249	-	22,680
Net book value					
At 31 March 2021	60,793	1,044	2,947	473	65,257
At 30 September 2019	60,828	247	3,119	-	64,194

The difference of £78k between the depreciation charge above (£2,392k) vs Note 4 (£2,470k) is explained by the net book value of component disposals above (£179k minus £101k) charged in the depreciation of housing properties expenditure line.

Cornerstone Housing Limited
Report and financial statements for the 18 month period ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

15. TANGIBLE FIXED ASSETS - PROPERTIES (continued)

Expenditure on works to existing properties

	2021	2019
	£'000	£'000
Components capitalised - Mount Dinham almshouses	990	637
Components capitalised - Other schemes	1,054	621
	<u>2,044</u>	<u>1,258</u>
Amounts charged to the income and expenditure account	807	595
	<u>2,851</u>	<u>1,853</u>

Finance costs

	2021	2019
	£'000	£'000
Aggregate amount of finance costs included in the cost of housing properties	<u>892</u>	<u>882</u>

Housing properties book value net of depreciation

	2021	2019
	£'000	£'000
Freehold land and building	58,842	57,561
Long leasehold land and buildings	6,415	6,633
	<u>65,257</u>	<u>64,194</u>

Additions to completed housing properties in the period

	Social housing properties	Shared ownership properties	2021 Total
	£'000	£'000	£'000
Additions comprise:			
Schemes completed	271	-	271
Components capitalised on existing properties	2,044	-	2,044
	<u>2,315</u>	<u>-</u>	<u>2,315</u>
Total additions for the period	<u>2,315</u>	<u>-</u>	<u>2,315</u>

NOTES TO THE FINANCIAL STATEMENTS

16. FIXED ASSETS - OTHER

	Freehold buildings £'000	Motor Vehicles £'000	Computer Equipment £'000	Fixtures Fittings & Equipment £'000	Total £'000
Cost					
At 1 October 2019	2,838	305	290	177	3,610
Adjusted opening balance	-	-	1	-	1
Revised opening position at 1 October 2019	2,838	305	291	177	3,611
Additions	-	-	49	17	66
Disposals	-	(28)	(74)	-	(102)
At 31 March 2021	2,838	277	266	194	3,575
Depreciation					
At 1 October 2019	405	186	178	136	905
Charge for the period	85	44	48	16	193
Disposals	-	(26)	(74)	-	(100)
At 31 March 2021	490	204	152	152	998
Net book value					
At 31 March 2021	2,348	73	114	42	2,577
At 30 September 2019	2,433	119	112	41	2,705

Cornerstone Housing Limited
Report and financial statements for the 18 month period ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

17. INVESTMENTS IN SUBSIDIARY

At 31 March 2021 Cornerstone does not hold any investments in subsidiaries. Cornerstone did hold one £1 ordinary share in Exeter Housing Limited, representing 100% of the issued share capital of this company. This company was dissolved on 22 September 2020. No consolidated accounts have been prepared on the basis that the subsidiary did not trade in the period and consolidated results would be identical to those of the Association.

18. STOCK

	2021	2019
	£'000	£'000
Shared ownership first tranches - work in progress	316	-
Other stock - building materials	32	34
	<u>348</u>	<u>34</u>

19. DEBTORS

	2021	2019
	£'000	£'000
Due within one year		
Rent and service charges receivable	28	57
Recharges receivable	44	64
Less: provision for bad and doubtful debts	(39)	(86)
	<u>33</u>	<u>35</u>
Other debtors	7	-
Prepayments and accrued income	178	112
	<u>218</u>	<u>147</u>

20. CURRENT ASSET INVESTMENTS

	2021	2019
	£'000	£'000
Money market deposits	<u>405</u>	<u>405</u>

Under the terms of its loan agreements with The Housing Finance Corporation Limited and Affordable Housing Finance plc, Cornerstone is required to maintain investment balances equal to one year's interest on the loans. Therefore, whilst the above amount is disclosed as a current asset investment, the Association is required to maintain a similar balance for the period of both loans up to 2043.

Cornerstone Housing Limited
Report and financial statements for the 18 month period ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

21. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2019
	£'000	£'000
Housing loans (note 24)	671	647
Recycled capital grant fund (note 25)	10	10
Trade creditors	100	100
Rent and service charges received in advance	355	261
Other taxation and social security	46	47
Other creditors	162	99
Accruals and deferred income	281	342
Deferred capital grant (note 23)	324	321
	<u>1,949</u>	<u>1,827</u>

22. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2021	2019
	£'000	£'000
Housing loans (note 24)	22,269	22,268
Arrangement fees capitalised	(152)	(191)
	<u>22,117</u>	<u>22,077</u>
Recycled capital grant fund (note 25)	-	90
Deferred capital grant (note 23)	11,574	11,532
Other long term creditors	14	7
	<u>33,705</u>	<u>33,706</u>

The premium and discount arising on loan issues are amortised over the term of the loan to which it relates as part of the effective interest rate charge.

Cornerstone Housing Limited
Report and financial statements for the 18 month period ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

23. DEFERRED CAPITAL GRANT

	2021	2019
	£'000	£'000
At 1 October	11,853	12,174
Grant received	438	-
Transfer from Recycled Capital Grant Fund	90	-
Grant recycled	-	-
Released to income in the period	(483)	(321)
At 31 March	<u>11,898</u>	<u>11,853</u>
Amounts to be released within one year	324	321
Amounts to be released in more than one year	<u>11,574</u>	<u>11,532</u>
	<u>11,898</u>	<u>11,853</u>

The balance on Deferred Capital Grant shown above is net of amortised grant already released to the Statement of Consolidated Income and Reserves.

The gross Capital Grant received is £17.0m (2019: £16.5m) with a cumulative total of £5.1m (2019: £4.6m) amortised to reserves.

24. HOUSING LOANS

	2021	2019
	£'000	£'000
Debt is repayable as follows:		
Due within one year		
Bank loans	665	642
Other loans	6	5
	<u>671</u>	<u>647</u>
Due after one year		
Bank loans	11,698	11,690
Other loans	10,571	10,578
	<u>22,269</u>	<u>22,268</u>
Total loans	<u>22,940</u>	<u>22,915</u>

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2021	2019
	£'000	£'000
The housing loans are repayable as follows:		
Within one year or on demand	671	647
One year or more but less than two years	689	3,463
Two years or more but less than five years	5,664	2,091
Five years or more	15,916	16,714
	<u>22,940</u>	<u>22,915</u>

Cornerstone Housing Limited
Report and financial statements for the 18 month period ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

24. HOUSING LOANS (continued)

Borrowing facilities

Cornerstone has undrawn facilities available at 31 March as follows:

	2021	2019
	£'000	£'000
Expiring between one and two years	-	-
Expiring between two and five years	7,200	8,200
	<u>7,200</u>	<u>8,200</u>

Financial liabilities

The interest rate profile of the Association's financial liabilities as at 31 March 2021 was:

	2021	2019
	£'000	£'000
Floating rate	10,475	6,640
Fixed rate	12,465	16,274
	<u>22,940</u>	<u>22,915</u>

The weighted average period for which interest rates were fixed was 20 years (2019: 17 years), and the weighted average fixed interest rate was 4.75% (2019: 4.77%) including margins.

The fixed loans are for terms maturing between 1 and 22 years at interest rates ranging from 2.89% to 12.61% including margins.

25. RECYCLED CAPITAL GRANT FUND

	2021	2019
	£'000	£'000
At 1 October	100	100
Arising in the period	-	-
Applied to development schemes	(90)	-
	<u>10</u>	<u>100</u>
Repayment of grant	-	-
At 31 March	<u>10</u>	<u>100</u>
Recycled capital grant		
Amounts due within one year	10	10
Amounts due in more than one year	-	90
	<u>10</u>	<u>100</u>

Cornerstone Housing Limited
Report and financial statements for the 18 month period ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

26. NON-EQUITY SHARE CAPITAL AND RESERVES

	2021	2019
	£	£
Issued and fully paid		
At 1 October	14	16
Shares issued during the period at £1 par	-	-
Shares cancelled during the period at £1 par	<u>(3)</u>	<u>(2)</u>
At 31 March	<u><u>11</u></u>	<u><u>14</u></u>

All shares have equal voting rights at the Annual General Meeting of the Association. The shares do not have rights to any dividends, nor to a distribution in winding-up, and they are not redeemable.

The revenue reserve is the accumulated reserves for the Association.

27. NET CASH INFLOW FROM OPERATING ACTIVITIES

	2021	2019
	£'000	£'000
Operating surplus	3,321	2,354
Adjustments for non-cash items:		
Surplus on property sales	(113)	(19)
Grant amortisation	(483)	(321)
Depreciation, impairment and amortisation of housing properties	2,470	1,625
Depreciation, impairment and amortisation of other tangible fixed assets	193	135
Pension costs	(398)	(242)
Increase in stock	(314)	326
Increase in debtors	(70)	63
Increase in creditors	103	(34)
Net cash inflow from operating activities	<u><u>4,709</u></u>	<u><u>3,887</u></u>

Cornerstone Housing Limited
Report and financial statements for the 18 month period ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

28. FINANCIAL COMMITMENTS

	2021	2019
	£'000	£'000
Capital commitments for which no provision has been made		
Expenditure contracted for but not provided in the accounts	2,037	1,530
Expenditure authorised by the board, but not contracted	<u>-</u>	<u>899</u>

Capital commitments of £2.037m will be financed through borrowings under existing loan arrangements.

Operating lease commitments

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

	2021	2019
Due:	£'000	£'000
Within one year	148	117
Within one to two years	140	117
Within two to five years	360	310
After five years	773	714
	<u>1,421</u>	<u>1,258</u>

Operating lease commitments will be funded by operational cash flows.

29. RELATED PARTIES

Key management personnel

Key management personnel received remuneration as reported in note 13.

A member of the Board has a close relative employed by the Association and is also a current tenant of the Association paying monthly rent. Rent and service charges payable during the period were £7,247.88. There were no rent arrears owing at 31 March 2021.

30. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.

Members, senior staff, advisors and bankers

BOARD

Chairman	Peter Howard-Williams Peter Heron	(appointed 18th March 2020) (until 18 th March 2020)
Vice Chairman	Peter Howard-Williams Darren Galliford	(until 18 th March 2020) (appointed 18 th March 2020)
Other Members	Stephanie Henshaw David Pike Phil Sweet Nick Yeo David Gunn Simon Harding Louise Cumberland Janet Gale Samantha Johnson Jayne Souter	(until 12 th February 2020) (until 31 st December 2020) (co-opted 2 nd December 2020) (co-opted 2 nd December 2020) (co-opted 28 th July 2021) (co-opted 2 nd December 2020, until 30 th April 2021)
Chief Executive and Secretary Chief Executive	Richard Williams Tom Woodman	(until 31 January 2020) (appointed 1 February 2020)
Deputy Chief Executive Secretary	Joanne Martin Nicola Hallam	(appointed 3 rd October 2019) (appointed 1 February 2020)

EXECUTIVE OFFICERS

Head of Development	Anne Seaborne
Head of Housing	Clare Beach
Head of Property Services	Timothy Lewry
Finance Director	Joanne Martin

REGISTERED OFFICE

Cornerstone House
Western Way
Exeter
Devon EX1 1AL

AUDITORS

External auditors	Nexia Smith & Williamson 15-17 Cumberland Place Southampton SO15 2BG
Internal auditors	Mazars LLP (until 30 September 2020) Beaufort Buildings, Clifton Bristol BS8 4AN
	Beever and Struthers (from 6 November 2020) The Colmore Building 20 Colmore Circus Queensway Birmingham B4 6AT

SOLICITORS

Principal solicitors

Trowers & Hamlins
The Senate, Southernhay Gardens
Exeter EX1 1UG

BANKERS

Principal bankers

Barclays Bank PLC
20 High Street
Exeter EX4 3LL

