



*Housing People*

**Report & Financial Statements**  
For the year ended  
31 March 2022

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## **Introduction from the Chair and Chief Executive:**

### **In a changing world Cornerstone continues to make a difference**

In our previous report we spoke about the unprecedented changes brought by the pandemic. Now both we and our customers face severe new economic challenges, but the work we have done over the last year makes us resilient for the future.

#### Financial and operational performance

We were faced with a number of exceptional challenges during the year, including interim support for vacant posts and resourcing our refinancing project (see below). However, despite this we were able to maintain our overall surplus at £1.218m (2021: £1.875m for 18 months).

Value for money (VFM) remains a key theme for the Board, as set out in the VFM section later in this report. As part of this the Board has decided to make careful investments in a number of areas, which will increase costs but improve services and safety in line with our strategy. Costs will therefore rise in 2022/23, particularly reflecting increases in maintenance spending, investment in development staffing and our overall remuneration review.

Rent arrears performance for our customers remains notably strong at 0.3% (2021: 0.3%). Where necessary, we have continued to support customers in difficulty through signposting to debt advice services, direct advice and small grants. Average relet performance was below target during the year at 18 days (2021: 14 days) due to the reletting of a number of long-term voids following major works. However our underlying operational performance on lettings has remained strong, and our staff were pleased to be invited recently by Housemark to talk on our experiences at a specialist seminar.

#### Customer services

In May this year we agreed our new customer services strategy (see also below), developed in partnership with our resident Performance Panel. The strategy is based on insight from our customer census and satisfaction surveys and focuses in particular on how we listen to customer voices and implement improvements. The strategy reflects the government's planned changes to our regulatory framework, but importantly ensures that we do not wait for legislation before making improvements.

In common with many other housing associations, we have experienced a small drop in overall customer satisfaction to 88% (2021: 90.5%). This level of satisfaction remains in line with the top 25% of our Housemark benchmarking group. However, it is an area of concern for us and we are working closely with the resident Performance Panel to address this.

We have continued work with Julian House helping young people at risk of homelessness. We lease a number of properties to Julian House, enabling them to set up trainer tenancies helping young people to progress to stability and independence, and ensuring vulnerable people are 'tenancy ready'.

#### Looking after existing homes

We have continued our substantial investment in existing homes, ensuring they remain comfortable to live in and affordable to heat.

We have only 60 properties below energy rating EPC level C, and we are on track for these to be improved to level C well in advance of the government's 2030 target. Our asset

management strategy includes our aspiration to be carbon-neutral by 2050 and sets out the early milestones towards this.

During the year we have continued our move to a component replacement programme, installing new windows, kitchens, external insulation and solar panels to far more properties than would have been achievable had we continued our previous whole-house improvement programme. The flexibility and commitment of our in-house labour team has been fundamental to achieving this.

We were pleased to be shortlisted for Best Contractor in the Exeter Property Awards 2021 for our refurbishment project at Beacon Avenue, and for the Conservation & Rejuvenation Award 2022 by Construction Excellence South West.

We have no tall buildings or dangerous external cladding issues, but have given considerable focus to other aspects of fire safety. This has included investing in a fire door replacement and improvement programme and installing sprinklers as part of our new development at Beacon Avenue (see below) as part of a joint funding initiative with Devon & Somerset Fire & Rescue Service.

#### Developing new homes

In 2021-22, we delivered 25 new homes; 20 social rent properties and 5 shared ownership homes at Otterton and Exmouth, both in East Devon.

The remaining 6 homes due to be completed in 2021-22, at Beacon Avenue in Exeter, were completed in June 2022 (this scheme having been delayed by the insolvency of the previous contractor).

Our new development strategy (see below) sets out our aspirations to increase development, and we have supported this ambition through our refinancing which has provided cash for new homes, supported by a currently undrawn revolving credit facility (RCF).

We have also invested in an expanded staff team to deliver our new strategy, which is helping us identify and secure new opportunities in a crowded marketplace.

#### Refinancing and business planning

In autumn 2021 we completed our refinancing at historically low rates, providing stability, certainty and cost-effectiveness.

We were the first borrowers through a MORhomes green bond issue. As part of this an independent environmental, social and governance (ESG) review gave a very positive endorsement of our approach.

We borrowed £19.3m through MORhomes at 2.81% for 30 years, using £12.4m of this to repay historic expensive fixed-rate loans (keeping the remainder on deposit as we secure new development sites). At the same time we took out a new £11m RCF with Barclays, providing additional development finance for the future.

This has provided substantial liquidity enabling us to take advantage of future development opportunities, while at the same time fixing the whole of our current borrowing, de-risking us from interest rate rises in the short-to-medium term. With 100% of our drawn debt at fixed rates, we have medium term protection against rising interest rates.

Our Board reviewed our business plan in May 2022, stress-testing against a wide range of eventualities linked to our risk map. Given the volatile economic situation we are currently

stress-testing the plan at least six-monthly. This is particularly in respect of limiting rent increases for 2023 and potentially beyond, given the financial hardship being caused to customers through the cost-of-living crisis.

### Reviewing our strategy

During the year we reviewed our corporate strategy, one year on from its original creation. The Board agreed that it remains a sound base for our work and agreed a new programme of projects and targets for its delivery. There is more detail on our strategy later in this report.

Supporting our overall strategy, we also agreed the following specific strategies:

- customer services: ensuring that we have customers at our heart, we make it easy for them, we are accountable, and we work together
- development strategy: developing the right homes in the right places, the right quality of new homes, at the right cost and risk
- people strategy: ensuring effective leadership, putting wellbeing first, empowering individuals, and creating opportunities
- communications: enabling us to communicate key issues to customers and other stakeholders, as well as respond to opportunities.

### Our staff team

We continue our emphasis on staff wellbeing, promoting both physical and mental health. We have increased the number of mental health first aiders in our teams, ensuring we can spot when both colleagues and customers may be struggling. We offer hybrid and flexible working to all office staff and one of our priorities for the coming year is to deliver similar opportunities for our trades teams.

The people strategy we developed this year includes an additional focus on professionalism, reflecting recent work from the Chartered Institute of Housing and the priorities in the Social Housing White Paper Professionalisation Review.

During the year we reviewed our overall reward package, making sure we offer at least median benchmarked salaries for all roles. While this has increased costs it is also an investment in our services, with a fairly-remunerated team providing high-quality services.

As part of our reward review we focused on our work-life balance, increasing annual holiday allowance by a day. We also added two volunteering days each year, enabling staff to spend time helping their local communities in whatever way they choose.

Our thanks and the thanks of the Board go to all our staff for their dedicated and committed work over the year.

### Governance

We have adopted the revised National Housing Federation (NHF) code of governance and code of conduct. As part of this we have adopted a six-year maximum length of service for non-executive board members, except where in the best interests of the organisation and have agreed a transitional period to achieve this while ensuring the transfer of knowledge from our existing non-executives.

Longstanding non-executive David Pike retires from the Board this year, and our thanks go to him for his valued years of service. Following an external recruitment process the Board

is recommending two new non-executives for appointment this year, based on an evaluation of the Board's collective skills and experience.

In conclusion, thanks to our staff and board team, our work last year has made a sound contribution to achieving our long-term strategy. Now in 2022/23 we will take that forward in the new economic environment, with the support and help of our customers, in pursuit of our purpose and vision.



Peter Howard-Williams  
**Chair**



Tom Woodman  
**Chief Executive**

## **Strategic report**

The strategic report contains the following sections:

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

### **Our strategy**

Our strategy for 2021-26 was agreed by the Board in May 2021. The strategy sets out our 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 review the strategy every two years, each time looking another five years ahead. Our next strategy will therefore be developed ready for April 2023, covering 2023 – 2028.

Each intervening year the Board carries out a high-level review of the strategy to check that it remains appropriate for the operating environment. We completed this review in March 2022, The Board reviewed the external and internal environment and agreed that the strategy remains fit for purpose.

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 and 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

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- 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 are set out in the value for money section of this report. These are based on the work that has been done on the strategies for customer services, treasury, development, and people.

Key metrics that enable us to measure our progress.

Our high-level measures and targets are that by 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 safety;
- 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 and employee net promoter score year on year; and
- h) annually achieve our target business plan total cost per existing home and remain within all the Board's financial golden rules.

Our performance against these targets is monitored by the Board and will be reported in future annual reports.

**Our performance and value for money**

**Overall financial performance**

During the year ended 31 March 2022 the total comprehensive income was £2.0m (2021 (18 months): £1.74m).

As set out earlier in this report, our prime focus is the delivery of services and improvements to existing customers and homes. There was £1.09m (2021 (18 months): £2.04m) of improvement work capitalised in the year, reflecting our ongoing investment in its housing stock.

**Our approach to value for money**

Value for money (VFM) is a key focus for our 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.

We fully embrace the Value for Money Standard and Code of Practice published by the Regulator of Social Housing (RSH). The standard requires registered providers to publish

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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 our Board to ensure that:

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

The Financial Statements for year ending 31 March 2022 have been produced in accordance with the standard enabling us to benchmark performance with other providers. The table below provides comparative performance against several metrics using both Housemark and VFM metrics as defined by the RSH.

Strategic themes and metrics	2023 target	Peer benchmark*		Sector benchmark*	Target	Actual		
		(Housemark)	(South West)		2022	2022	2021	2019
<b>Great places</b>								
Satisfaction with neighbourhood	87%	87%	-	-	-	76%	79%	88%
Homes developed	6	-	-	-	31	25	2	22
New supply delivered**	0.42%	2.1%	2.0%	2.0%	2.23%	1.8%	0.1%	1.6%
Gearing**	31.4%	34.1%	26.4	32.0%	32.3%	32.1%	32.3%	33.3%
Reinvestment in housing**	2.36%	6.9%	7.6%	8.3%	5.62%	4.7%	3.7%	4.3%
<b>Great services</b>								
Overall customer satisfaction	88%	88%	-	-	-	88%	90.5%	94.4%
Number of complaints	-	-	-	-	-	43	34	14
Complaints response time (working days)	-	-	-	-	-	8	5.9	7.8
Satisfaction repairs and maintenance	92%	94%	-	-	92%	93%	93%	92%
Average re-let times in days	20	43.4	-	-	20	18	14	41
<b>Great business</b>								
Interest cover (EBITDA-MRI)**	216%	247%	249%	253%	314%	238%	228%	256%
Return on capital employed**	3.31%	4.3%	4.2%	4.3%	3.93%	3.0%	3.2%	3.5%
Headline social housing cost per unit**	£4,085	£3,260	£3,200	£3,160	£3,096	£3,379	£3,368	£3,275
Operating margin (SHL only)**	33.2%	36.8%	30.2%	33.2%	38.5%	30.8%	33.1%	31.1%
Operating margin (Overall)**	33.7%	32.6%	29.5%	30.5%	34.9%	27.6%	30.2%	29.1%
Tenant current arrears	0.60%	2.4%	0.9%	1.9%	0.80%	0.3%	0.3%	0.8%
<b>Great people</b>								
Staff turnover	8.8%	8.8%	-	-	15.0%	35.6%	16.5%	11.9%
Average days sickness lost per employee	6.1	5	-	-	10.5	6.1	7.2	6.7

\* 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 1-20,000 homes in the south east and south west subscribing to Housemark (reported for year end March 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 2021)
- sector benchmark – extracted from the sector's global accounts (data published by the RSH for 31 March 2021)

\*\* The Value for Money Standard requires registered providers to annually report on their performance against a suite of measures defined by the regulator. These are the measures we measure performance against.

### **Value for money in 2021-22, considered against our four strategic themes**

In the sections below we consider our VFM performance during 2021-22 against each of the key enablers in our vision statement: great places, great services, a great business and great people.

We 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.

Progress on our plans to improve VFM will be reported in future annual reports and VFM assessments.

### **Great places – our work in 2021-22**

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

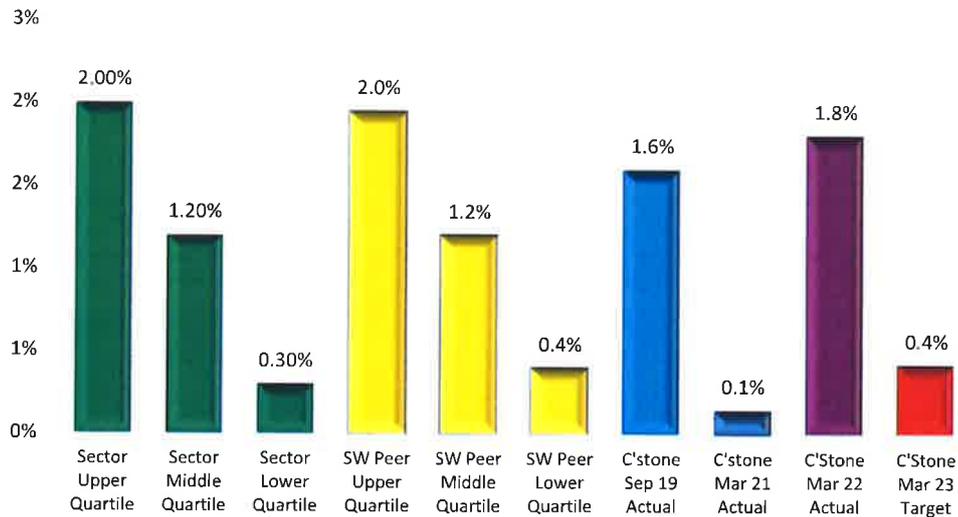
We are committed to meeting housing need through developing new homes in accordance with the Board's strategy set out earlier in this report. In 2021/22 we completed a refinancing exercise to increase the funding available. As at 31 March 2022, we have £11m of undrawn funding available.

All developments are funded by our cash reserves, additional loans and grants. We work 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.

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In 2021-22, we delivered 25 new homes; 20 social rent properties and 5 shared ownership homes at Otterton and Exmouth, both in East Devon. The remaining 6 homes due to be completed in 2021-22, at Beacon Avenue in Exeter, were completed in June 2022 (this scheme having been delayed by the insolvency of the previous contractor).

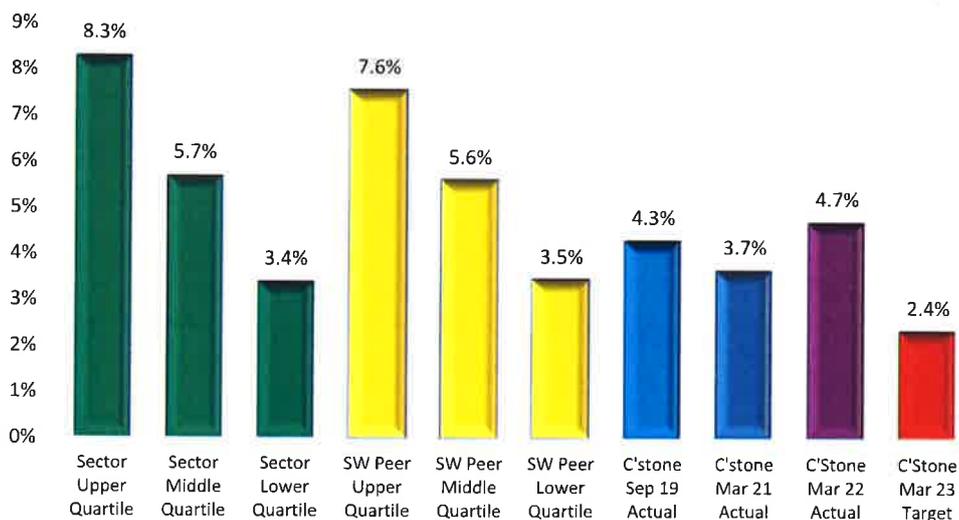
**New Supply (Social)**



Reinvestment in housing

The increase reflects the additional investment in our existing homes and the completion of the current development programme. Our 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 and new funding arranged in 2021. We are planning for 15 new social homes to be delivered in 2025-26, increasing to 25 new homes in 2026-27. Our ambition is to deliver 200 homes over the next five years and the new funding put into place during the year is part of our strategy to deliver this.

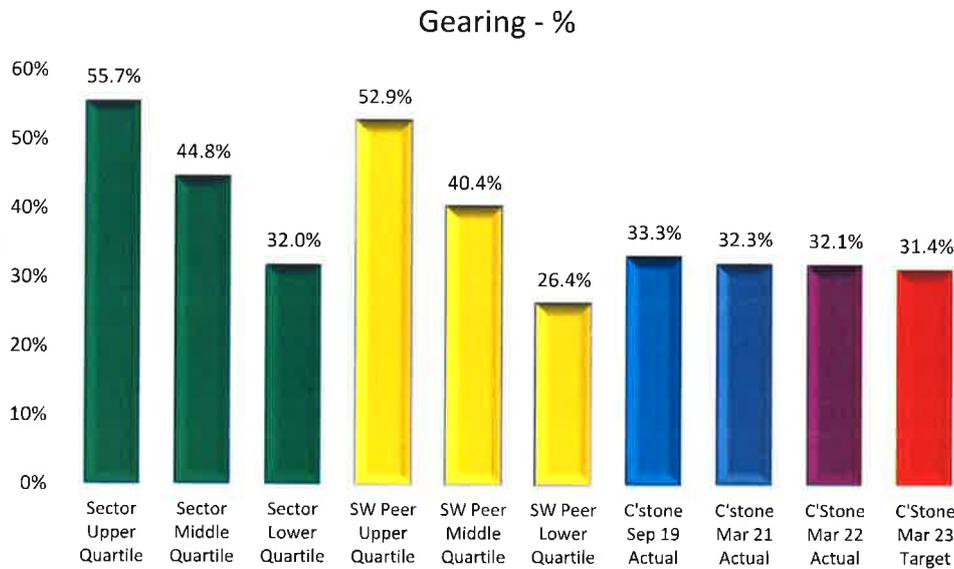
**Reinvestment - %**



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 three years has remained consistently low and it reflects the Board’s financial risk appetite. We have funded large scale improvements through working capital and used bank borrowing to develop new homes whilst ensuring we can comfortably meet funders’ requirements.

Once our development programme accelerates with an associated drawing down of current facilities, we will see an increase in gearing from 2025 onwards moving us nearer the median for our peer group but still below the sector median.



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 is a member of the Council Housing & Development Advisory Board for Exeter City Council and is also on the on the board of Devon Home Choice.

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. We are committed to supporting victims of domestic violence and abuse and regularly attend 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.

Customer satisfaction with neighbourhoods

Customer satisfaction with their neighbourhoods as a place to live reduced to 76% in 2022, compared with 79% in 2021 (top quartile peer benchmark for Housemark 87%). We are

disappointed with this continued slight decline and are working closely with our resident Performance Panel on implementing improvements.

Plans for improving VFM for 'great places' in 2022-23

Plans for VFM improvements in 2022-23 include the following:

- continuing 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
- delivering our new development strategy to maximise the number of homes developed 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
- reviewing our approach to managing service charges in our neighbourhoods.

On the following pages, we report on our progress in delivering our Corporate Strategic under our strategic objectives and the targets we have set for the next year. Progress on the projects to deliver these targets will be reported regularly to the Board and in next year's Annual Report.

**Great services – our work in 2021-22 and plans for 2022-23**

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.

Over the year we have continued to work closely with our residents' 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 2021, and headline results included:

- net promoter score 48 (2021: 58) (UKCSI benchmark 23.5);
- overall satisfaction 88% (2021: 90.5%) (top quartile peer benchmark for Housemark 88%); and
- satisfaction with repairs and maintenance 93% (2021: 93%).

We are working closely with the Performance Panel to understand the slight decline in satisfaction and develop improvement plans.

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 year the average re-let time was 18 days (2021:14 days). As set out in 'great places' above, the move from whole-house improvement to component replacement will create significant efficiencies in respect of relet times.

Plans for improving VFM for 'great services' in 2022-23

Plans for VFM improvements in 2022-23 include the following:

- agreeing a new customer services strategy, taking account of current performance and relating it to customer aspirations, as well as responding on a timely basis 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; and
- 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**

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

During 2021-22 we have completed the following projects to improve VFM:

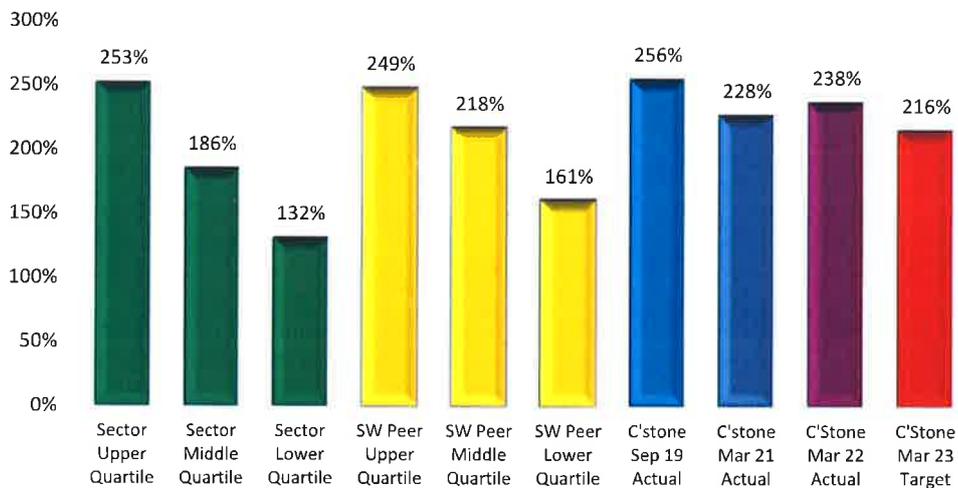
- agreed a new treasury strategy to support our development aspirations, including refinancing existing loans to optimise our portfolio
- implemented Microsoft Teams Voice as a replacement for desk-based telephony, enabling increased agile working and improved customer services
- renegotiated our external IT support contract in order to ensure we have cost-effective and resilient back-office functions
- reached agreement with staff who are in our defined benefit scheme to reduce the impact of higher contribution rates on the organisation
- implemented a new IT solution for managing board papers and meetings, reducing administration and paper usage. This is delivering more effective board collaboration out of meetings and better use of time during meetings.

This investment increased resilience and enabled us to continue to deliver customer services and landlord safety compliance during the ongoing challenges raised by the pandemic.

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. We can comfortably cover interest payments on outstanding debt with interest cover of 238% (2021: 228% - restated). Our Board stress tests our 30-year business plan regularly and it has a clear understanding of what would cause us significant financial distress. We have mitigating strategies to deal with key exposures.

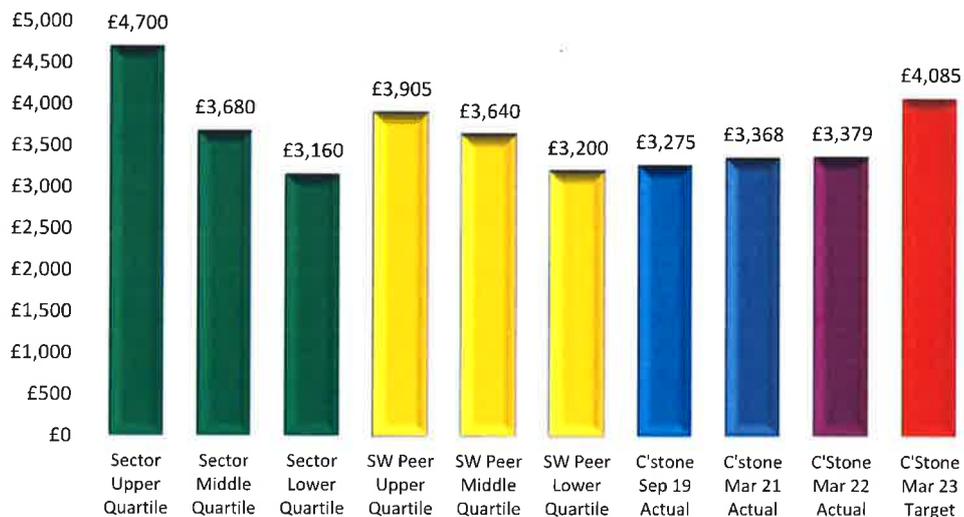
**EBITDA MRI Interest Rate Cover - %**



Headline social housing cost per unit

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

**Headline Social Housing Cost per unit - £**



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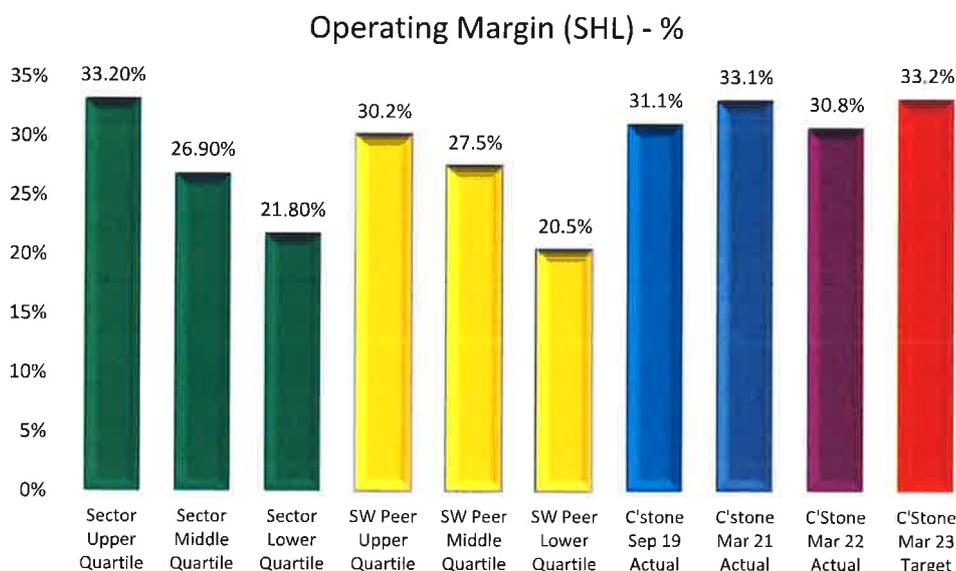
Our social housing cost per unit has increased year on year by just 0.3% (£10.78 per home) to £3,379 (2021: £3,368 – restated for 12 months). Total spend on repairs and maintenance has increased by £22.28 per home and management costs increased by £42.16 mainly due to recruitment costs and the cost of employing temporary staffing costs due to higher than normal staff turnover. For 2022/23, the Board have decided to make significant additional investment in ensuring the health and safety of tenants, delivering the new component replacement programmes, improving cyclical maintenance and enhanced services to tenants, as well as investment in the pay and conditions for staff. There will also be pressures on our costs arising from the increasing inflation affecting the costs of supplies and services but these will be carefully monitored and managed through the year.

Operating margin

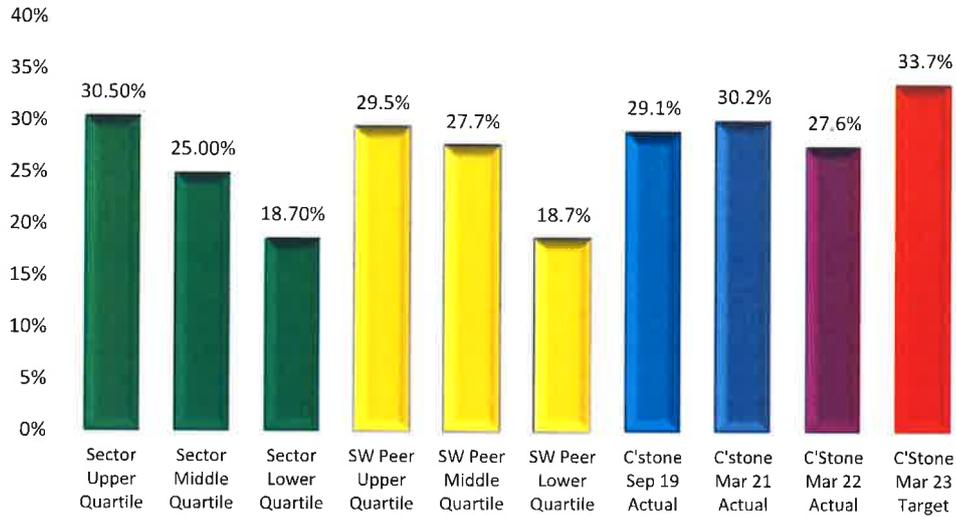
The operating margin demonstrates the profitability of operating assets before exceptional expenses are taken into account. Increasing margin is one way of evidencing the financial efficiency of a business. In assessing this ratio, it is important that consideration is given to our purpose and objectives.

Operating margin on Social Housing Lettings (SHL) relates solely to income and expenditure attributable to social housing activities. During the year our overall operating margin on Social Housing Lettings was 30.8% (2021: 33.1% - restated). While there was an increase in income of 4%, this was offset by an increase spend on major repairs (£769k in 2021/22, compared to 12-month figure for 2019/21 of £538k).

Alongside social housing activities, operating margin overall includes all other activities (e.g. shared ownership first tranche sales, disposals etc). During the year our overall operating margin was 27.6% (2021: 30.2% - restated).



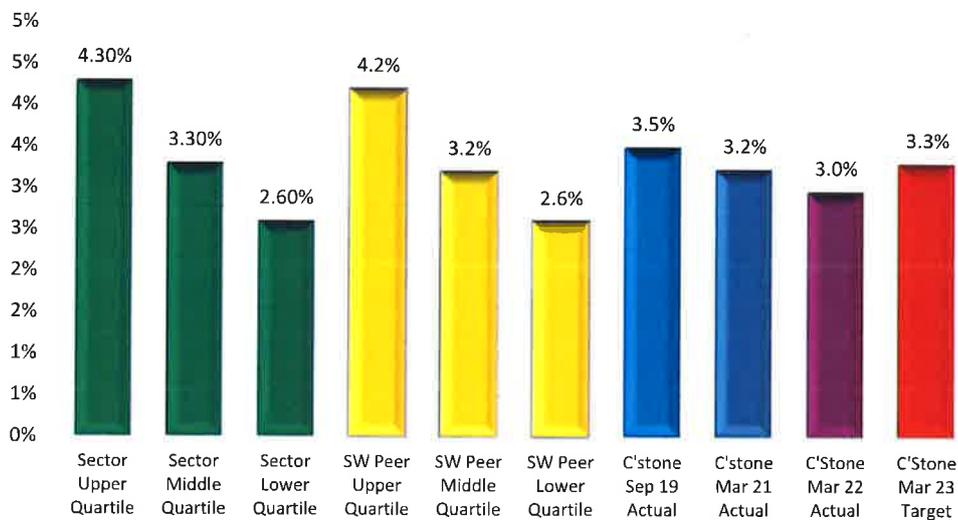
**Operating Margin (Overall) - %**



**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. The small reduction in year-on-year ROCE reflects the completion of our previous development programme.

**ROCE - %**



**Arrears**

Despite the pandemic, we have maintained our overall arrears at 0.29% (2021: 0.29%). During this time we have continued to give 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 2022-23

- further developing a new equality, diversity and inclusion plan
- developing an IT plan for future service development and continuing infrastructure investment
- re-tender of our insurance policies
- planning for an external governance review in April 2023
- reviewing our purchasing and payment systems with a view to improving efficiency and delivering savings.
- reviewing the indicators that we use to measure performance and progress in delivering our work
- strengthening our contract management arrangements to ensure that our existing contracts continue to deliver VFM.

**Great people**

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

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

We carried out a review of employment terms and conditions, including external benchmarking of our rewards package and developed a revised appraisal process for all of the staff team, to include 360° appraisals for the Executive Team.

Following a dip in staff satisfaction in autumn 2021, this improved in spring 2022 to exceed previous levels, and we will be continuing more frequent surveys of staff during 2022/23.

Plans for VFM improvements in 2022-23 include the following:

- implementing a People Strategy (approved by the Board in July 2022) that ensures Cornerstone is a great place to work with opportunities for learning and development;
- improving our employee onboarding process to ensure a consistent approach to induction and training;
- reviewing future delivery of our pension offer;
- consider ways in which we can improve flexibility for people across the business, including those in the DLF and front-line services;
- providing training to increase knowledge and upskill our customer services team in repairs diagnostics, particularly around healthy homes to combat damp and mould, to improve both business and customer experience;
- identifying our 'future leaders' and develop a 'future leader programme', a succession plan for our leadership roles;
- piloting a scheme for the buying and selling of annual leave
- the introduction of paid volunteering days for all staff, enabling them to contribute to local communities.

We will measure success in the following ways:

- overall satisfaction with us as an employer, with a target for 90% satisfaction (currently 87%);

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- employee net promoter score with a target of +10 (currently +5);
- sickness absences, with a target for top quartile level (currently 5%);
- staff turnover, with a target for top quartile level (currently 33%)
- specific diversity targets linked to the EDI strategy.

The Board will keep these under review via a quarterly review of specific KPIs and annual reviews of progress against strategy action plans.

**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 our operations.

The existence of these financial instruments exposes us to a number of financial risks. The main risks arising from our 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. Currently all our drawn down borrowings are at fixed rates.

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 year end, the Association had £11 million of undrawn loan facilities in addition to drawn borrowings and an undrawn overdraft facility of £50k.

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 continues to monitor the impact of these changes.

**National Housing Federation (NHF) Code of Governance**

The Board adopted the 2020 NHF Code of Governance with effect from 1 April 2021 and we comply with the principal recommendations of the Code.

**Tenant involvement**

We actively encourage tenants' involvement in decision-making. A Performance Panel of tenants scrutinises our activities and service standards and a Cornerstone resident sits on the Board.

**Board members and executive officers**

The Board is responsible for the strategy and policy framework. It delegates the day-to-day management and implementation of that framework to the Chief Executive and Executive

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Team that comprises the Finance Director, Head of Property Services, Head of Development and Head of Housing & HR. The Executive meet weekly 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 2021-22 the Board has met nine times, having had a number of additional meetings to conclude the refinancing project. There are 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 year, these have included groups on the Development Strategy and Treasury Strategy.

The current board members and the executive officers are set out at the end of this report. All the Board members served throughout the year except Joanne Martin and Jayne Souter who resigned from the Board in January 2022 and April 2021 respectively.

Executive officers who served during the year are shown at the end of this report. The Chief Executive, Tom Woodman, was a board member throughout the year. No executive officers have any interest in Cornerstone's shares. Officers act as executives within the authority delegated by the Board.

Our non-executive board members have been remunerated as set out in note 13.

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. We currently have two vacancies and recruitment of new board members will be completed in Autumn 2022.

The gender balance of the Board is 60% male and 40% women (2021: 55%:45%).

### **Employees**

Our strength lies in the quality and commitment of our 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.

We continue to provide information on our objectives, progress and activities through regular office and departmental meetings, the senior management team and staff. We provide training focused on quality and customer service and regularly seek employees' views on how to improve services and on matters of common concern. During the year, we have introduced more frequent staff newsletters, briefings and vlogs to improve communication with our teams.

In all areas of our work, we are committed to equality, diversity and inclusion and promote awareness of this commitment.

We have developed a new communications strategy with the aim of raising our profile and brand awareness and working with partners to deliver great services.

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. We have detailed health and safety policies and provide staff with training and education on health and safety matters.

We have an ongoing programme of on-site inspections using an independent consultancy for support and challenge. In addition, annual audits are conducted at our depot and main office sites. The Health and 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 year and to date.

Key elements of the control framework include:

#### Identification and evaluation of key risks

We have a risk management framework for identifying and evaluating risks which are recorded in 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 and 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

Our ability to identify and manage the organisation's 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.

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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 cashflow 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 our 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 and 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 and Risk Committee.

**Regulatory Standards**

We are 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 2021-22 we assessed our 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 21 September 2022 at Cornerstone House, Western Way, Exeter, EX1 1AL.

**Auditors**

A resolution to reappoint CLA Evelyn Partners Limited (formerly known as 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.

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In preparing these financial statements the Board is required to:

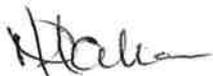
- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Housing SORP 2018 Statement of Recommended Practice for social housing providers have been followed, 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 21 September 2022 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 year ended 31 March 2022 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 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefits 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 directors' 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 directors 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 directors are 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, except to the extent otherwise explicitly stated in our report, 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 Board's Responsibilities set out on page 21, 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 directors determine 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 directors are 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 directors 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](http://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 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.

*CLA Evelyn Partners Limited*

**CLA Evelyn Partners Limited**  
Statutory Auditor  
Chartered Accountants

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

*21/9/22*

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**STATEMENT OF COMPREHENSIVE INCOME**

	Note	2022 £'000	18 months to 31/03/2021 £'000
<b>Turnover</b>	3	7,872	10,446
Cost of sales	3	(387)	-
Operating costs	3	(5,373)	(7,437)
Other operating income	3	87	199
Surplus on property sales	7	73	113
<b>Operating surplus</b>	3, 6	<u>2,272</u>	<u>3,321</u>
Surplus on sale of other tangible fixed assets		-	3
Interest receivable and other income	8	8	8
Interest payable and similar charges	9	(1,062)	(1,457)
<b>Surplus on ordinary activities for the year/period</b>		<u>1,218</u>	<u>1,875</u>
<b>Other comprehensive income</b>			
Actuarial surpluses/(losses) in respect of pension scheme	12	785	(134)
<b>Total comprehensive income for the year/period</b>		<u>2,003</u>	<u>1,741</u>

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**STATEMENT OF CHANGES IN EQUITY**

	<b>Called up share capital</b>	<b>Revenue reserve</b>	<b>Total equity</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance 1 October 2019	-	29,936	29,936
Total comprehensive income for the period	-	1,741	1,741
Balance at 1 April 2021	-	31,677	31,677
Total comprehensive income for the period	-	2,003	2,003
Balance at 31 March 2022	-	33,680	33,680

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**STATEMENT OF FINANCIAL POSITION**

	Note	2022 £'000	2021 £'000
<b>Tangible assets</b>			
Housing properties (depreciated cost)	15	66,585	65,257
Other tangible fixed assets	16	2,480	2,577
		<u>69,065</u>	<u>67,834</u>
Long term investment	17	339	-
		<u>69,404</u>	<u>67,834</u>
<b>Current assets</b>			
Stock	18	19	348
Debtors	19	199	218
Investments	20	405	405
Cash at bank and in hand		8,168	1,692
		<u>8,791</u>	<u>2,663</u>
<b>Creditors: amounts falling due within one year</b>	21	(1,610)	(1,949)
		<u>7,181</u>	<u>714</u>
<b>Net current assets</b>			
		<u>76,585</u>	<u>68,548</u>
<b>Total assets less current liabilities</b>			
Creditors: amounts falling due after more than one year	22	(40,811)	(33,705)
Provisions: pension deficit liability	12	(2,094)	(3,166)
<b>Net assets</b>		<u>33,680</u>	<u>31,677</u>
<b>Represented by:</b>			
<b>Capital and reserves:</b>			
Non-equity share capital	26	-	-
Revenue reserve		33,680	31,677
		<u>33,680</u>	<u>31,677</u>

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board of Directors on 21 September 2022.



P Howard-Williams  
Chairman




T Woodman  
Board Member

Nicola Hallam  
Secretary

**Cornerstone Housing Limited**  
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**STATEMENT OF CASH FLOWS**

	Note	2022 £'000	18 months to 31/03/2021 £'000
<b>Net cash inflow from operating activities</b>	27	3,915	4,709
<b>Cash flows from investing activities</b>			
Sale of housing properties		204	202
Purchase and construction of housing properties		(1,923)	(1,558)
Interest received		10	7
Capital improvements to existing housing properties		(1,087)	(2,044)
Sale of other fixed assets		-	4
Acquisitions of other fixed assets		(23)	(66)
Grants received to support capital expenditure		10	438
<b>Net cash flows from investing activities</b>		<u>(2,809)</u>	<u>(3,017)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(832)	(1,353)
Breakage costs - refinancing		(104)	-
Investment in MORhomes		(339)	-
Housing loans received		19,014	1,000
Housing loans repaid		(12,369)	(976)
<b>Net cash flows from financing activities</b>		<u>5,370</u>	<u>(1,329)</u>
Net increase in cash and cash equivalents		6,476	363
Cash and cash equivalents at beginning of period		1,692	1,329
<b>Cash and cash equivalents at 31 March</b>		<u><b>8,168</b></u>	<u><b>1,692</b></u>

The accompanying notes form part of these financial statements.

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**RECONCILIATION OF NET DEBT**

	At 1 April 2021 £'000	Cash flows £'000	Other non cash changes £'000	At 31 March 2022 £'000
<b>Cash and cash equivalents</b>				
Cash and cash equivalents	1,692	6,476	-	8,168
	<u>1,692</u>	<u>6,476</u>	<u>-</u>	<u>8,168</u>
<b>Borrowings</b>				
Debt due within one year	(671)	671	(7)	(7)
Debt due after one year	(22,269)	(7,179)	(194)	(29,642)
	<u>(22,940)</u>	<u>(6,508)</u>	<u>(201)</u>	<u>(29,649)</u>
Total	<u>(21,248)</u>	<u>(32)</u>	<u>(201)</u>	<u>(21,481)</u>

## **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.

The principal accounting policies of Cornerstone are set out below.

### **Measurement convention**

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

### **Going concern**

The Financial Statements have been prepared on a going concern basis. The Board assess Cornerstone's ability to continue as a going concern and have concluded that there is reasonable expectation that there are adequate resources to continue in operational existence for the foreseeable future being at least 12 months from the date of approval of these accounts.

### **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 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.

### **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

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- 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 is closed to new members and is a final salary pension scheme for some of its employees and 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.

**Value Added Tax**

The Association is not registered for VAT and the financial statements include VAT that is not recoverable.

**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.

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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 which is 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.

**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

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Heating - gas boiler	-	15 years
Heating – electric	-	20 years
Heating – air source heat pump	-	20 years
Electrics	-	40 years
Lifts	-	20 years
<b>Shared ownership properties</b>	-	Not exceeding 100 years

From 1 April 2021, any new or replacement heating component was split between the major heating source as one component and the additional heating system as another. This decision was made in line with the zero carbon agenda.

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 major improvement works to existing properties, are considered an indicator of impairment and are written down to nil net book value.

Components replaced as part of an individual component replacement programme are written-off on completion of the replacement.

**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
Service assets	-	At 5% straight line
Computer equipment	-	At 25% straight line
Computer software	-	Between 10% and 25% straight line
Cycle scheme	-	Hire Agreements between Cornerstone and employee repaid over 12 months

**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 and properties 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.

A listed investment and loan note were acquired as part of a refinancing arrangement in the year. These are shown as long term investments. Listed shares are held at fair value and the loan note is held at amortised cost using the effective Interest rate method.

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.

## **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 2022 rent and service charges receivable, net of provision for bad and doubtful debts, is 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.

3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

		Note 2022				
	Turnover	Other operating income	Cost of sales	Operating costs	Surplus on property sales	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Social housing lettings (note 4)</b>	7,267	-	-	(5,031)	-	2,236
<b>Other social housing activities</b>		-				
Development costs not capitalised	-	-	-	(342)	-	(342)
Shared ownership first tranche sales	605	-	(387)	-	-	218
Other income	10	87	-	-	-	87
Surplus on property sales	7	-	-	-	73	73
	<b>7,872</b>	<b>87</b>	<b>(387)</b>	<b>(5,373)</b>	<b>73</b>	<b>2,272</b>
<b>2021</b>						
	Turnover	Other operating income	Cost of sales	Operating costs	Surplus on property sales	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Social housing lettings (note 4)</b>	10,446	-	-	(6,990)	-	3,456
<b>Other social housing activities</b>		-				
Development costs not capitalised	-	-	-	(447)	-	(447)
Shared ownership first tranche sales	-	-	-	-	-	-
Other income	10	199	-	-	-	199
Surplus on property sales	7	-	-	-	113	113
	<b>10,446</b>	<b>199</b>	<b>-</b>	<b>(7,437)</b>	<b>113</b>	<b>3,321</b>

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

**4. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS**

	<b>General needs housing £'000</b>	<b>Shared ownership £'000</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
<b>Income from social housing lettings</b>				
Rent receivable net of identifiable service charges	6,542	157	6,699	9,600
Service charges receivable	229	16	245	363
Amortised government grant	322	1	323	483
<b>Turnover from social housing lettings</b>	<b>7,093</b>	<b>174</b>	<b>7,267</b>	<b>10,446</b>
<b>Expenditure</b>				
Management	(914)	(38)	(952)	(1,317)
Services	(273)	(16)	(289)	(372)
Routine maintenance	(862)	-	(862)	(1,194)
Planned maintenance	(219)	-	(219)	(335)
Major repairs expenditure	(769)	-	(769)	(807)
Bad debts	(19)	-	(19)	(4)
Depreciation of housing properties	(1,642)	(35)	(1,677)	(2,470)
Other costs - SHPS other pension adjustments (see note 12)	353	-	353	398
Other costs - SHPS deficit contributions paid (see note 12)	(381)	-	(381)	(557)
Other costs - gardening, aids and adaptations, and operating leases	(216)	-	(216)	(332)
<b>Operating costs on social housing lettings</b>	<b>(4,942)</b>	<b>(89)</b>	<b>(5,031)</b>	<b>(6,990)</b>
<b>Operating surplus on lettings</b>	<b>2,151</b>	<b>85</b>	<b>2,236</b>	<b>3,456</b>
Income foregone as a result of voids	65	-	65	196

The income foregone as a result of voids includes properties kept empty during periods of planned improvement works.

**5. ACCOMMODATION IN MANAGEMENT AND DEVELOPMENT**

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

	<b>2022 units</b>	<b>2021 units</b>
<b>Social housing</b>		
Owned and managed:		
Rented	1,318	1,302
Shared ownership	57	54
Owned and managed by others:	8	4
Managed:		
Rented	27	27
<b>Total owned and/or managed</b>	<b>1,410</b>	<b>1,387</b>
<b>Accommodation in development at 31 March</b>	<b>6</b>	<b>31</b>

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**6. OPERATING SURPLUS**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
The operating surplus is arrived at after charging:		
Depreciation of housing properties	1,677	2,470
Depreciation of other tangible fixed assets	120	193
Auditors' remuneration (excluding VAT) :		
- Fees payable to the Association's auditors for the audit of the financial statements	15	17
- Other audit services	1	1
Operating lease rentals - land and buildings	150	200
	<u>1,963</u>	<u>3,372</u>

**7. SURPLUS ON PROPERTY SALES**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Disposal proceeds	204	203
Less: cost of sales	(131)	(90)
	<u>73</u>	<u>113</u>

**8. INTEREST RECEIVABLE AND OTHER INCOME**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Bank and deposits	8	8
	<u>8</u>	<u>8</u>

**9. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Loans and bank overdrafts	920	1,385
Breakage costs - refinancing	104	-
Interest payable capitalised on developments under construction	(28)	(13)
Net interest expense in respect of defined benefit pension provision (note 12)	66	85
	<u>1,062</u>	<u>1,457</u>
Capitalisation rate used to determine the finance costs capitalised during the year	<u>1.80%</u>	<u>1.52%</u>

**10. OTHER INCOME**

The Coronavirus Job Retention Scheme (CJRS) was the UK government's support measure for organisations during the COVID-19 pandemic. It offered grants to cover a proportion of the salaries of furloughed staff. During the year, no Cornerstone employees were furloughed (2021: 36). The amount received via this scheme is detailed below.

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Other income	87	47
Coronavirus Job Retention Scheme (CJRS)	-	152
	<u>87</u>	<u>199</u>

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**11. EMPLOYEES**

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

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
Housing & administration	26	26
Direct labour force	29	41
Estate based staff	1	1
	<u>56</u>	<u>68</u>

Employee costs:	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	1,741	3,239
Social security costs	165	303
Other pension costs	134	249
	<u>2,040</u>	<u>3,791</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 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028.

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.

During the year Cornerstone contributed 10.27% of pensionable salary for defined benefit members of the SHPS defined benefit pension scheme. This will increase up to 21.17% during Financial Year 2022/2023.

We have been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

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**12. PENSIONS (continued)**

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of plan assets	13,987	13,867
Present value of defined benefit obligation	(16,081)	(17,033)
Deficit in plan	<u>(2,094)</u>	<u>(3,166)</u>
Defined benefit liability to be recognised	<u>(2,094)</u>	<u>(3,166)</u>

**Reconciliation of opening and closing balances of the defined benefit liability**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Opening defined benefit liability	(3,166)	(3,345)
Service costs	(70)	(259)
Contributions	431	669
Interest expense	(66)	(85)
Actuarial movements	1,093	(483)
Return of assets	(308)	349
Other expenses	(8)	(12)
Defined benefit obligation at end of year	<u>(2,094)</u>	<u>(3,166)</u>

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Opening defined benefit obligation	17,033	16,539
Current service cost	70	259
Expenses	8	12
Interest expense	369	444
Contributions by plan participants	44	104
Actuarial losses due to scheme experience	428	14
Actuarial gains due to changes in demographic assumptions	(255)	(123)
Actuarial gains due to changes in financial assumptions	(1,266)	592
Benefits paid and expenses	(350)	(808)
Defined benefit obligation at end of year	<u>16,081</u>	<u>17,033</u>

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of plan assets at start of period	13,867	13,194
Interest income	303	359
Experience on plan assets (excluding amounts included in interest income) - loss	(308)	349
Contributions by the employer	431	669
Contributions by plan participants	44	104
Benefits paid and expenses	(350)	(808)
Fair value of plan assets at end of year	<u>13,987</u>	<u>13,867</u>

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**Defined benefit costs recognised in Statement of Comprehensive Income (SOCl)**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	70	259
Expenses	8	12
Net interest expense	66	85
Defined benefit costs recognised in SOCl	<u>144</u>	<u>356</u>

**Defined benefit costs recognised in other comprehensive income**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Experience on plan assets (excluding amounts included in net interest cost) - loss	(308)	349
Experience gains and losses arising on the plan liabilities - loss	(428)	(14)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain	255	123
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain	1,266	(592)
Total amount recognised in other comprehensive income - gain	<u>785</u>	<u>(134)</u>

**Key Assumptions**

	<b>2022</b>	<b>2021</b>
	% per annum	% per annum
Discount Rate	2.79	2.18
Inflation (RPI)	3.57	3.27
Inflation (CPI)	3.19	2.87
Salary Growth	4.19	3.87
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies;

	Life expectancy at age 65 (Years)	Life expectancy at age 65 (Years)
Male retiring in 2021	21.1	21.6
Female retiring in 2021	23.7	23.5
Male retiring in 2041	22.4	22.9
Female retiring in 2041	25.2	25.1

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

Entrants to the pension scheme since 1 October 2010 participate in the SHPS defined contribution. The pension cost charge representing contributions payable by Cornerstone to the scheme for the year amounted to £78,296 (2021: £129,268)

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**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.

At 31 March 2022, the senior management personnel who are members of the board is the Chief Executive. The Deputy Chief Executive resigned in January 2022.

The remuneration paid to key management personnel during the period was as follows:

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

	<b>Basic salary £'000</b>	<b>Benefits in kind £'000</b>	<b>Pension contributions £'000</b>	<b>2022 Total £'000</b>	<b>2021 Total £'000</b>
Aggregate emoluments of non-executive board members	22	-	-	22	6
Aggregate emoluments of key management personnel	348	-	22	370	570
<b>Total</b>	<b>370</b>	<b>-</b>	<b>22</b>	<b>392</b>	<b>576</b>

In addition social security costs were incurred for key management personnel compensation of £38,857 (2021: £63,032). The increase in emoluments for non-executive board members has increased from 2021 as board members have only received remuneration since 1 January 2021.

	<b>2022 £'000</b>	<b>2021 £'000</b>
The emoluments payable to the highest paid executive in the period, excluding pension contributions	<u>98</u>	<u>119</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 bands on an annual basis:

	<b>2022 £'000</b>	<b>2021 £'000</b>
£90,001 to £100,000	1	1
£80,001 to £90,000	-	-
£70,001 to £80,000	-	1
£60,001 to £70,000	<u>1</u>	<u>-</u>

**14. TAXATION**

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

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
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 April 2021	83,224	1,044	3,196	473	87,937
Additions	-	2,011	-	11	2,022
Works to existing properties	1,087	-	-	-	1,087
Interest capitalised	-	25	-	2	27
Schemes completed	2,141	(2,141)	486	(486)	-
Component disposals	(89)	-	-	-	(89)
Property disposals	-	-	(136)	-	(136)
At 31 March 2022	86,363	939	3,546	-	90,848
<b>Depreciation and impairment</b>					
At 1 April 2021	22,431	-	249	-	22,680
Depreciation charge	1,627	-	35	-	1,662
Released on replacement of components	(74)	-	-	-	(74)
Released on disposal	-	-	(5)	-	(5)
At 31 March 2022	23,984	-	279	-	24,263
<b>Net book value</b>					
At 31 March 2022	62,379	939	3,267	-	66,585
At 1 April 2021	60,793	1,044	2,947	473	65,257

The difference of £15k between the depreciation charge above (£1,662k) compared to Note 4 (£1,677k) is explained by the net book value of component disposals above (£89k minus £74k) being charged to the depreciation of housing properties expenditure line.

**15. TANGIBLE FIXED ASSETS - PROPERTIES (continued)**

**Expenditure on works to existing properties**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Components capitalised - Mount Dinham almshouses	128	990
Components capitalised - Other schemes	959	1,054
	<u>1,087</u>	<u>2,044</u>
Amounts charged to the income and expenditure account	769	807
	<u>1,856</u>	<u>2,851</u>

**Finance costs**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate amount of finance costs included in the cost of housing properties	<u>919</u>	<u>892</u>

**Housing properties book value net of depreciation**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Freehold land and building	59,971	58,842
Long leasehold land and buildings	6,614	6,415
	<u>66,585</u>	<u>65,257</u>

**Additions to completed housing properties in the year**

	<b>Social housing properties</b>	<b>Shared ownership properties</b>	<b>2022 Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Additions comprise:			
Schemes completed	2,141	486	2,627
Components capitalised on existing properties	1,087	-	1,087
Total additions for the year	<u>3,228</u>	<u>486</u>	<u>3,714</u>

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**16. FIXED ASSETS - OTHER**

	<b>Freehold buildings £'000</b>	<b>Motor Vehicles £'000</b>	<b>Computer Equipment £'000</b>	<b>Fixtures Fittings &amp; Equipment £'000</b>	<b>Cycle Scheme £'000</b>	<b>Total £'000</b>
<b>Cost</b>						
At 1 April 2021	2,838	277	266	194	-	3,575
Additions	-	-	22	-	1	23
Disposals	-	-	-	-	-	-
At 31 March 2022	2,838	277	288	194	1	3,598
<b>Depreciation</b>						
At 1 April 2021	490	204	152	152	-	998
Charge for the year	57	18	35	9	1	120
Disposals	-	-	-	-	-	-
At 31 March 2022	547	222	187	161	1	1,118
<b>Net book value</b>						
At 31 March 2022	2,291	55	101	33	-	2,480
At 1 April 2021	2,348	73	114	42	-	2,577

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**17. INVESTMENTS**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Listed investments	117	-
Loan note	222	-
	<u>339</u>	<u>-</u>

**18. STOCK**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Shared ownership first tranches - work in progress	-	316
Other stock - building materials	19	32
	<u>19</u>	<u>348</u>

**19. DEBTORS**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Due within one year</b>		
Rent and service charges receivable	24	28
Recharges receivable	32	44
Less: provision for bad and doubtful debts	(33)	(39)
	<u>23</u>	<u>33</u>
Other debtors	-	7
Prepayments and accrued income	176	178
	<u>199</u>	<u>218</u>

**20. CURRENT ASSET INVESTMENTS**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
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.

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**21. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Housing loans (note 24)	7	671
Recycled capital grant fund (note 25)	10	10
Trade creditors	444	100
Rent and service charges received in advance	374	355
Other taxation and social security	-	46
Other creditors	157	162
Accruals and deferred income	295	281
Deferred capital grant (note 23)	323	324
	<u>1,610</u>	<u>1,949</u>

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Housing loans (note 24)	29,642	22,269
Arrangement fees capitalised	(110)	(152)
	<u>29,532</u>	<u>22,117</u>
Deferred capital grant (note 23)	11,262	11,574
Other long term creditors	17	14
	<u>40,811</u>	<u>33,705</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.

**23. DEFERRED CAPITAL GRANT**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
At beginning of year	11,898	11,853
Grant received	10	438
Transfer from Recycled Capital Grant Fund	-	90
Released to income	(323)	(483)
At end of year	<u>11,585</u>	<u>11,898</u>
Amounts to be released within one year	323	324
Amounts to be released in more than one year	<u>11,262</u>	<u>11,574</u>
	<u>11,585</u>	<u>11,898</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 (2021: £17.0m) with a cumulative total of £5.4m (2021: £5.1m) amortised to reserves.

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**24. HOUSING LOANS**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Debt is repayable as follows:</b>		
<b>Due within one year</b>		
Bank loans	-	665
Other loans	7	6
	<u>7</u>	<u>6</u>
	<u>7</u>	<u>671</u>
<b>Due after one year</b>		
Bank loans	-	11,698
Other loans	29,642	10,571
	<u>29,642</u>	<u>10,571</u>
	<u>29,642</u>	<u>22,269</u>
<b>Total loans</b>	<u>29,649</u>	<u>22,940</u>

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>The housing loans are repayable as follows:</b>		
Within one year or on demand	7	671
One year or more but less than two years	8	689
Two years or more but less than five years	30	5,664
Five years or more	29,604	15,916
	<u>29,649</u>	<u>22,940</u>
	<u>29,649</u>	<u>22,940</u>

**Borrowing facilities**

Cornerstone has undrawn facilities available at 31 March as follows:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Expiring between one and two years	-	-
Expiring between two and five years	11,000	7,200
	<u>11,000</u>	<u>7,200</u>

**Financial liabilities**

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Floating rate	-	10,475
Fixed rate	29,649	12,465
	<u>29,649</u>	<u>12,465</u>
<b>Total borrowings</b>	<u>29,649</u>	<u>22,940</u>

The fixed rate financial liabilities have a weighted average interest rate of 3.42% (2021: 4.75%) and the weighted average period for which it is fixed is 26 years (2021: 20 years).

The fixed loans are for terms maturing between 21 and 29 years at interest rates ranging from 2.81% to 12.61% including margins.

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**25. RECYCLED CAPITAL GRANT FUND**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
At beginning of year	10	100
Applied to development schemes	-	(90)
	<u>10</u>	<u>10</u>
Repayment of grant	-	-
At end of year	<u>10</u>	<u>10</u>
Recycled capital grant		
Amounts due within one year	<u>10</u>	<u>10</u>
	<u>10</u>	<u>10</u>

**26. NON-EQUITY SHARE CAPITAL AND RESERVES**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Issued and fully paid</b>		
At beginning of year	11	14
Shares issued during the year at £1 par	3	-
Shares cancelled during the period at £1 par	(1)	(3)
At end of year	<u>13</u>	<u>11</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 business.

**27. NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Operating surplus</b>	2,272	3,321
Adjustments for non-cash items:		
Surplus on property sales	(73)	(113)
Grant amortisation	(323)	(483)
Depreciation, impairment and amortisation of housing properties	1,677	2,470
Depreciation, impairment and amortisation of other tangible fixed assets	120	193
Pension costs	(353)	(398)
Decrease in stock	329	(314)
Decrease in debtors	17	(70)
Increase in creditors	249	103
Net cash inflow from operating activities	<u>3,915</u>	<u>4,709</u>

**28. FINANCIAL COMMITMENTS**

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
<b>Capital commitments for which no provision has been made</b>		
Expenditure contracted for but not provided in the accounts	111	2,037
Expenditure authorised by the board, but not contracted	370	-
Total	<u>481</u>	<u>2,037</u>

Capital commitments of £0.5m will be financed through borrowings under existing loan arrangements.

**Operating lease commitments**

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

<b>Due:</b>	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Within one year	145	148
Within one to two years	130	140
Within two to five years	354	360
After five years	688	773
	<u>1,317</u>	<u>1,421</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 year were £4,947.72. There were no rent arrears owing at 31 March 2022.

**30. ULTIMATE CONTROLLING PARTY**

There is no ultimate controlling party.

**MEMBERS, SENIOR STAFF, ADVISORS AND BANKERS**

**BOARD**

Chairman	Peter Howard-Williams
Vice Chairman	Darren Galliford
Other Members	Stephanie Henshaw
	David Pike
	Phil Sweet
	Nick Yeo
	Louise Cumberland
	Janet Gale
	Samantha Johnson
	Tom Woodman
	Jayne Souter (co-opted until 30 April 2021)

**EXECUTIVE OFFICERS**

Chief Executive	Tom Woodman
Finance Director	Yvonne Woodward - (appointed 16 May 2022) Joanne Martin - (resigned 3 January 2022)
Secretary	Nicola Hallam
Head of Development	Anne Seaborne
Head of Housing	Clare Beach
Head of Property Services	Timothy Lewry

**REGISTERED OFFICE**

Cornerstone House  
Western Way  
Exeter  
Devon EX1 1AL

**AUDITORS**

CLA Evelyn Partners Limited  
15-17 Cumberland Place  
Southampton SO15 2BG

**INTERNAL AUDITORS**

Beever and Struthers  
The Colmore Building  
20 Colmore Circus Queensway  
Birmingham B4 6AT

**SOLICITORS**

Principal solicitors

Trowers & Hamblins  
The Senate  
Southernhay Gardens  
Exeter EX1 1UG

**BANKERS**

Principal bankers

Barclays Bank PLC  
20 High Street  
Exeter EX4 3LL