Livv Housing Group

(Formerly Knowsley Housing Trust Limited)

Annual Report and Financial Statements

Year ended 31st March 2020

A Charitable registered society under the Cooperative and Community Benefit Societies Act 2014, registered number 007773

Company Information

Registered Group Office	Livv Housing Group Lakeview Kings Business Park Prescot Merseyside L34 1PJ
Website	www.livvhousinggroup.com
Company Registration Number	A Charitable registered society under the Cooperative and Community Benefit Societies Act 2014, registered number 007773. Registered with the Regulator of Social Housing, number LH4343.
External Auditor	Mazars LLP 45 Church Street Birmingham B3 2RT
Internal Auditor	PwC 1 Hardman Square Manchester M3 3EB
Principal Solicitors	Anthony Collins Solicitors 134 Edmund Street Birmingham, B3 2ES
Bankers	Barclays Bank plc 48b and 50 Lord Street Liverpool L2 1TD

Contents

Board Members

Livv Housing Group (Formerly Knowsley Housing Trust Limited)

Trustee

Philip Raw (Chair)	(From 01.04.19)
Tracey Johnson	(From 01.04.19 to 31.03.20)
Steve Agger	(From 01.04.19)
John Bowker	(From 01.04.19)
Eleanor Bowden	(From 01.02.20)
Kevin Brady	(From 01.04.19)
Anthony Deakin	(From 01.04.19)
Mark Dunford	(From 01.04.19)
Georgia Parker	(From 01.04.19 to 08.07.19)
Philip Pemberton	(From 01.04.19)
John Ray	(From 01.04.19)
Lee Sugden	(To 06.11.19)
Nicola Waterworth	(From 01.04.19)

Executive Board Members

Léann Hearne	(From 01.08.19)
Christopher Howard Roberts	(From 01.04.20)

Livv Homes Ltd (Formerly KHT Services Limited)

(A subsidiary of Livv Housing Group)

Independent Board Members

Philip Raw (Chair)	(From 01.04.19)
Tracey Johnson	(From 01.04.19 to 31.03.20)
Steve Agger	(From 01.04.19)
John Bowker	(From 01.04.19)
Eleanor Bowden	(From 01.02.20)
Kevin Brady	(From 01.04.19)
Anthony Deakin	(From 01.04.19)
Mark Dunford	(From 01.04.19)
Georgia Parker	(From 01.04.19 to 08.07.19)
Philip Pemberton	(From 01.04.19)
John Ray	(From 01.04.19)
Lee Sugden	(To 06.11.19)
Nicola Waterworth	(From 01.04.19)

Executive Board Members

Léann Hearne	(From 01.08.19)
Christopher Howard Roberts	(From 01.04.20)

<u>KHTS Development Limited</u>

<u>(A subsidiary of Livv Housing Group)</u>

Independent Board Members

Philip Raw (Chair)	(From 01.04.19)
Tracey Johnson	(From 01.04.19 to 31.03.20)
Steve Agger	(From 01.04.19)
John Bowker	(From 01.04.19)
Eleanor Bowden	(From 01.02.20)
Kevin Brady	(From 01.04.19)
Anthony Deakin	(From 01.04.19)
Mark Dunford	(From 01.04.19)
Georgia Parker	(From 01.04.19 to 08.07.19)
Philip Pemberton	(From 01.04.19)
John Ray	(From 01.04.19)
Lee Sugden	(To 06.11.19)
Nicola Waterworth	(From 01.04.19)

Executive Board Members

Léann Hearne	(From 01.08.19)
Christopher Howard Roberts	(From 01.04.20)

<u>Executive Directors & Company Secretary</u>

Léann Hearne	Group Chief Executive
Sharon Marsh	Executive Director Resources & Group Company Secretary
Antony Cahill	Executive Director Property
Christopher Howard Roberts	Executive Director Finance, Risk & Performance
Amanda Newton	Executive Director Customer Insight (Appointed 01.07.19)
Paul Knight	Interim Executive Director Housing & Customer Services (Resigned 05.07.19)

Chair of the Board's Introduction

I have great pleasure in presenting Livv Housing Group's financial statements for 2019/20.

This has been a year of significant change for us with a clear focus on governance, implementing a new business structure and transitioning to a new brand. Our new brand has clarity and strength – both elements that represent our business structure and strategic plans for the future. It was the right time for the business to move forward with a new identity – we needed to simplify our business model and strengthen our core purpose and that's exactly what we have done.

An important part of our journey over the last year has been a move to a new group structure, focussed around a regulated parent and a business model that is reflective of our continuing commitment to create positive impact and develop flourishing communities.

Simplification has been a key theme for us and I'm delighted that over the last 12 months we have seen our new Board work with much greater visibility of key strategic objectives and high level operational plans. The level of improved oversight has meant that we have consistent assurance that activity from across the group supports our strategic plans and delivers the improved performance levels that we set out to achieve.

I am now in my second year as Chair and over a relatively short period of time I have witnessed our new Board play a key role in guiding this organisation through a difficult operating landscape, offering appropriate challenge and clear leadership. The strong partnership with our Executive Director team means that together we have also successfully navigated our regulatory challenges to date.

In April 2020 we launched our Corporate Plan, setting out our ambitions and aims for the next 3 years. We will focus on investing even more in our current homes whilst ensuring safety and the environment remain a priority, building more new homes for local people, developing our employees and supporting people and communities to grow and develop with a wide range of programmes. The Government is actively supporting new home building with a message to 'build, build, build' and we are ensuring we play our part by committing to building a minimum of 300 homes a year, for the next 3 years.

We are a key strategic partner in the vision for Knowsley and our Corporate Plan is aligned with the Knowsley 2030 Strategy to help make it happen. Through the Knowsley Better Together partnership we will work with other key organisations across the borough to achieve success in our shared ambitions.

Our customers are truly important to us and key to helping us define our services of the future and to delivering the ambitious targets the Borough has set itself. To support our endeavours, we recently recruited a 'Quality and Improvement Panel' with members from across Knowsley who represent all types of our customers. We also introduced a new and intuitive customer feedback system that gives us real insight into emerging themes that can help us shape what our service looks and feels like. It is important to us that we recognise the voice of the customer and ensure we hear it and use it to continuously improve and these initiatives really support that.

Whilst writing this statement I am conscious that we have all faced some challenging times over the last few months. The business has responded quickly and effectively to the pandemic, supporting our customers when they needed us most. I am pleased to see that feedback from customers has been overwhelmingly positive about how our colleagues have gone above and beyond to support them at this difficult time.

I would like to take the opportunity to thank our board, the Executive Team and our colleagues who work tirelessly to bring our plans and ambitions to life through their hard work and commitment.

Philip Raw

16 September 2020

Chief Executive Statement

The last twelve months has seen us make significant progress as a business in our drive to simplify our business structure and put core housing services at the real heart of the group. The successful collaboration between our new Board and a cohesive Executive Director team has enabled us to move at pace to achieve a simplified structure with a fresh new brand and a really clear purpose.

We've focussed on the values that matter to us and the things that matter to our customers. The work this year has helped us with that, as we delivered on some important core themes around compliance, performance culture, improving Value For Money, investment in property and place, and employee and leadership development. This work has put us in a much stronger position to successfully move forward and realise the ambitions we have set out in our corporate plan for 2020-2023. The plan was launched earlier this year and sets out a commitment over the next three years to invest even more in our homes and to support our customers, communities and businesses to truly flourish.

It's important to recognise the role that we continue to play as a key strategic partner in the development of Knowsley as an aspirational place to live. Our Corporate Plan objectives are aligned and reflective of the key themes in the Knowsley 2030 strategy and support the plans for the Borough in its Year of Culture 2022. We aim to create flourishing communities with opportunities for people and businesses to grow – and by strengthening our partnerships across Knowsley, we are able to have a greater social impact. Knowsley truly is *Better Together*.

We are investing in homes. We will deliver a minimum of 300 new homes every year for the next 3 years, alongside a commitment to invest over £70 million in our existing homes with a focus on safety and sustainability. Our ambition to build is great, with exciting plans like a second phase of the Watchfactory independent living scheme already taking shape.
This investment in new and existing homes is important, but it's people and communities that are at the heart of our business. We have been developing opportunities for our customers to shape our future and their voice will help us to align our services with their changing needs. Our new Community Investment Strategy will help us to continue to deliver meaningful social impact with a programme of community initiatives and support for social businesses that will have a lasting positive impact, support the local economy and help to develop flourishing communities.

Our financial performance has improved as we have streamlined our operations to align with our revised structure and strategy. By investing in governance, compliance and simplified processes and systems, we have given ourselves firm foundations to create further improvements in operating margins and efficiencies. This will underpin our plans for investment in new and existing homes and create capacity to make choices about how we invest in our communities

Livv Housing Group will continue to be a positive force for change. And our customers' homes and their communities will continue to matter to what we do and how we do it.

Léann Hearne

Strategic Report

Business Overview and Structure

Livv Housing Group (Formerly Knowsley Housing Trust) is a Registered Provider of social housing regulated by the Regulator of Social Housing (RoSH). It operates from its main head office at Kings Business Park, Prescot, with a satellite office at Page Moss, Huyton, Liverpool.

The company was set up in July 2002 to receive the transfer of homes from Knowsley Metropolitan Borough Council (KMBC) and its principal activity is the provision and management of social housing. Livv Housing Group owns and manages over 13,000 properties and works both independently and in partnerships with others, to deliver low cost home ownership, shared ownership, sheltered schemes and independent living services.

Livv Housing Group is a charitable Co-operative and Community Benefit Society (CBS) registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 (Registration number 007773).

Livv Homes (formerly KHT Services Limited) is a company limited by shares, which commenced trading during 2016, is a wholly owned subsidiary of Livv Housing Group and its role is to develop homes for outright sale and shared ownership.

KHTS Development Limited is a dormant subsidiary of Livv Housing Group

The full Group and Board structure is outlined on pages 19 and 20 of these accounts.

Strategic Objectives

Livv Housing Group (Formerly Knowsley Housing Trust Limited) is a business dedicated to providing great homes whilst achieving positive impact and flourishing communities.

Together with colleagues in Livv Maintenance and First Ark Social Investment our ambition is to bring people and neighbourhoods together to create better opportunities to grow, develop and thrive.

We achieve this by:

- Building more homes to meet the needs of our communities
- Embracing insight, innovation and technology to enhance our understanding of our customers, communities and assets which will enable us to target resources more effectively.
- Tackling the problems of financial and digital exclusion by focusing our social investment on supporting education, skills and employability.
- Maintaining high standards of governance and risk management which underpin our commitment to sound finances.

Our strategic objectives and approach are explained in more detail on Pages 15 and 16 within our Value for Money statement.

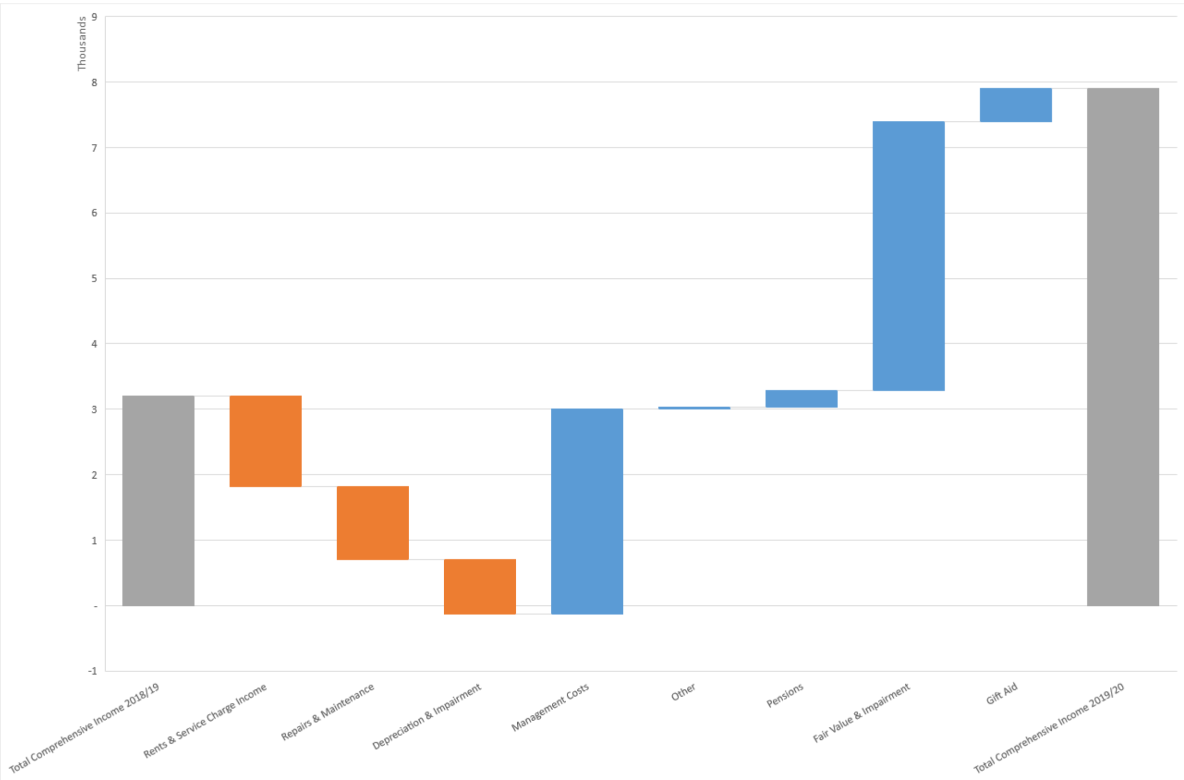
Financial Review

Five Year Financial Summary

The five-year consolidated financial performance of Livv Housing Group and Livv Homes can be summarised as follows:

For the year ended 31 March	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Statement of Comprehensive Income					
Total Turnover	64,988	68,231	61,360	62,139	64,482
Operating Surplus (Restated)	15,088	14,440	17,095	23,427	16,939
Surplus/Deficit for the year	7,749	3,302	10,187	8,964	(8,304)
Pension Scheme Remeasurement	146	(101)	52	(365)	4,349
Total Comprehensive Income / (deficit) for the year	**7,895**	**3,201**	**10,239**	**8,599**	**(3,955)**
Statement of Financial Position					
Housing properties	239,234	233,661	229,562	227,417	219,600
Other fixed assets	1,545	1,754	1,963	1,868	6,083
Fixed assets	**240,779**	**235,415**	**231,525**	**229,285**	**225,683**
Net current assets/(liabilities)	28,323	20,708	16,271	6,944	(5,633)
Total assets	**269,102**	**256,123**	**247,796**	**236,229**	**220,050**
Loans due over 1 year	185,920	186,534	183,153	184,350	179,057
Pensions liability	2,040	2,286	2,265	2,407	2,081
Grants	39,636	33,783	31,535	28,041	27,510
Other long term liabilities	111	20	544	1,371	(59)
Reserves	41,395	33,500	30,299	20,060	11,461
	269,102	**256,123**	**247,796**	**236,229**	**220,050**

Financial Performance



Livv Housing Group's financial results were impacted by the final year of the rent reduction, additional repair costs to refurbish voids and additional depreciation charges associated with the new asset strategy. Despite these losses, Livv Housing Group was successful in improving operating surplus to £15.1m, as one-off charges and temporary staff costs dropped out of the management cost base. The overall surplus benefitted from a fair value adjustment to the non-basic loan, resulting in an overall total surplus before pension remeasurement for the year of £7.7m (2019 £3.3m).

Statement of Financial Position

KHT invested £11.7m in new properties and a further £4.8m in existing properties. This is partially offset by disposals, write-offs and depreciation, resulting in a net increase of £5.6m in the year.

The Group is primarily debt funded as outlined in note 22(c) with repayments due between 2025 and 2040. The Group also has a rolling credit facility of £20m, of which £nil was drawn at 31st March 2020 (2019 £nil).

Livv Housing Group reserves at 31st March 2020 were £41.4m (2019 £33.5m).

Cashflow

The Group cashflow is detailed on page 37 of this report.

Treasury Management

Financial risk management and Treasury Policy

The Group finances its operations through a range of financial instruments, including loans, cash and working capital items such as rent arrears and trade creditors that arise directly from its operations.

These financial instruments expose the Group to a number of financial risks including interest rate risk, liquidity risk and credit risk. The Group regards the successful identification, monitoring, and control of risk to be the prime criteria by which the effectiveness of treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities focuses on the risk implications for the Group, and in particular Livv Housing Group, and any financial instruments entered into to manage these risks.

The Group acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is committed to the principles of achieving value for money (VFM) in treasury management, and employing comprehensive performance measurement techniques, to effectively manage the principal treasury management risks faced by the Group:

Interest rate risk

The Group finances its operations through a mixture of retained surpluses, bank borrowings and private placements. The Group's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and variable rate facilities.

Our treasury policy states that the ratio of fixed (hedged) to variable (unhedged) interest rates should be between 70%-100% of drawn debt. Currently 97% of the company's borrowing is on fixed interest rates; The current position is therefore inside Policy.

In managing the Group's interest rate risk, the Board and Executive team pay due regard to the following:

- current levels of interest rates compared with historic trends;
- anticipated future trend movements;
- the impact on revenue of estimated movements in interest rates;
- sensitivity of the financial covenants to movements in interest rates; and policy and/or budgetary implications.

Liquidity risk

The regulatory requirement is for a minimum of 18 months' liquidity to be available. Our Treasury Policy amends this to 24 months given the potential time required to arrange new funding. Cash balances at year end exceeded £28m and the business is compliant with its liquidity policy.

Credit risk

Our Policy sets out the minimum credit rating for deposit-taking financial institutions. The maximum amount invested at any time with an approved investment institution may not exceed the greater of £5m or 40% of the total surplus funds invested, and have a maturity not exceeding 364 days. The Group is compliant with this policy.

Value for Money Statement 2019/20

Our approach to Resourcing Decisions and Value for Money

The 2019/20 allocation of resources, and the associated financial plans of the First Ark Group, were aligned to the completion of legacy elements of the previous corporate plan, tackling asset compliance issues and delivering a range of improvements to corporate governance following the regulatory downgrade.

Two years ago, the Group was incurring high group overheads, ad hoc consultancy and exceptional property costs which combined with a declining asset base to drive poor returns and sub-optimal VFM performance, as measured and benchmarked across the regulatory VFM metrics. Our VFM analysis and strategy, signed off by the Board in 2019, indicated that our improvement plan should focus on a combination of cost reduction, and efficiency and effectiveness measures – as well as increasing the level of new supply across a range of tenures - to achieve and exceed the desired median benchmark levels. Gearing was an acknowledged outlying VFM metric at the time - due to the low carrying value of our properties on a historic cost basis - and it was agreed that changes in accounting approach were not appropriate and this area would not feature prominently within improvement plans.

During 2019 the Board curtailed some of the more expansive social enterprise and diversification agendas and introduced a new strategic framework to manage risk and improve overall core performance. A new development strategy was agreed to deliver c300 homes per annum – across a range of tenures to help meet the changing demographic needs in Knowsley and the neighbouring boroughs. This complemented the new asset investment strategy which was designed to ensure that we strike the optimal investment balance across our portfolio of existing homes. This framework has now been implemented, underpinned by improved decision-making and delivery structures that operate within documented delegated authorities, over-arching risk appetites and a range of golden rules decided by the Board.

Operational effectiveness and Value for Money are measured against a clear set of financial and non-financial metrics and measures – including the regulatory metrics - whilst ongoing risk exposure is managed through a range of assurance and forecasting activity. Board and senior management review the seven mandatory metrics alongside further second tier supporting metrics and measures on an ongoing basis and assess progress against improvement plans – using that to determine re-investment priorities. These reviews, when combined with a rigorous system for capturing and implementing corrective actions, ensure effective and timely delivery of strategic goals – as reflected in our Strategic Measures dashboard.

The journey to restore regulatory compliance and optimise financial returns from our assets and activities culminated in the creation of Livv Housing Group on 1st April 2020 and the launch of a new strategic corporate plan, "Unlocking Potential". The legal platform for the new Group, created from First Ark Ltd, One Ark Ltd and Knowsley Housing Trust Ltd through a Transfer of Undertaking, is more streamlined, efficient and effective and is dedicated to providing great homes whilst achieving a positive impact and establishing flourishing communities.

VFM Performance in 19/20

The financial plans for the year to 31st March 2020 were aligned to concluding the previous corporate strategy and completing the transformation into Livv Housing Group. This was encapsulated in three key VFM objectives of;

- improving operational economy, efficiency, and effectiveness,
- increasing development capacity and new supply and,
- improving the economy, efficiency and effectiveness of our asset management.

The associated performance metrics, which included the first tier VFM metrics, were designed to support the principles of returning to strong and consistent margins, embedding effective governance and improving overall performance in our core housing business.

Improving Operational Economy, Efficiency, and Effectiveness

Business Health and the 3e's have been monitored via focus on a number of metrics and measures which reflect the Group's renewed focus on improving performance in the core housing business, whilst also continuing to monitor VFM, returns and performance at entity level.

Improving Operational Economy, Effectiveness & Efficiency	FY 2017/18	FY 2018/19	FY 2019/20	Target	Benchmark	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24
*Operating Margin % - Livv Housing Group (the Company)	22.6%	16.9%	18.6%	20.1%	25.8%	24.3%	23.1%	24.8%	26.8%
Operating Margin % - First Ark Group	21.9%	15.5%	16.1%	16.2%	25.8%	27.2%	22.9%	24.5%	26.6%
Operating Margin % - Livv Maintenance (formerly Vivark)	2.7%	4.0%	2.2%	2.5%	1.0%	1.0%	1.0%	1.0%	1.0%
*Operating Margin %- Social Housing	23.7%	18.5%	19.4%	20.9%	29.2%	24.9%	24.3%	25.9%	28.7%
*EBITDA MRI %	245.0%	168.8%	189.4%	155.0%	184.0%	234.0%	238.0%	250.0%	283.0%
*Headline Social Housing Cost per unit (£)	£3,211	£3,525	£3,244	£3,200	£3,690	£3,184	£3,197	£3,131	£3,071
Staff Absence (Days)	7.9	8.9	9.6	5	9	5	5	5	5
Current Tenant Arrears	5.6%	5.6%	5.5%	4.5%	4.7%	4.7%	4.5%	4.5%	4.5%

*Mandatory VFM Metrics

Benchmark data source
2019 Global Accounts Annex – Value for Money Metrics, published by the Regulator of Social Housing

In terms of the VFM headlines throughout the year the Group has:

Achieved gains as overall operating margins improved in the year as the business stabilised and started to remove the one-off costs associated with improving compliance and governance.

Reduced management costs to counter the ongoing impact of cumulative rent reductions – however Livv Housing Group's Operating Margin fell short of the initial target by £1.1m following strategic decisions in year to bring forward planned expenditure to secure greater future savings or value.

Commenced and concluded corporate restructuring and rebranding activity - with the launch of the new Livv Housing Group on 1st April 2020. The rebranding and legal entity restructuring project timelines were harmonised to avoid legal & professional cost duplication associated with contract changes and accountancy - resulting in future direct cost avoidance of £0.2m.

Enhanced governance and facilitated value gains by reducing complexity, eliminating duplication and reducing compliance costs. Examples gains include a reduction in the marketing costs from servicing multiple brands and reductions in accountancy and tax fees.
Going forward Livv Housing Group will have only three subsidiaries, each with a dedicated purpose designed to optimise efficiency and reduce risk: Livv Maintenance (repairs & facilities management), Livv Homes (development of new homes for rental and shared ownership), and First Ark Social Investment (a business dedicated to a single social investment fund).

Concluded and implemented a review of cost and value drivers which resulted in revised financial plan and 2020/21 budget with an enhanced Group financial position – with an additional £5m improvement to operating margin. This included:

- £1.3m increase in rental income
- £0.5m reduction in legal, consultancy and rebranding costs
- £0.5m decrease in void refurbishment costs.
- £0.2m saving in insurance premiums as a result of improved management of risks and claims
- £1.7m reduction in revenue planned maintenance resulting from the removal of remedial compliance costs and procurement gains from contract renegotiation.

Conducted a complete review of its social impact and investment programme and agreed a new Community Investment Strategy. Funds will be invested in the delivery of this strategy each year in alignment with the resourcing and investment decisions across all core housing management functions and within an overall financial envelope as outlined within the financial plan. Social investment decisions are assessed on a case by case basis using a rigorous business case assessment approach and utilising our Social Return On Investment (SROI) methodology.

Introduced a new project management methodology which embedded a Value for Money focus into our project-based decision making. The robust business case methodology requires full impact analysis across the three strands of economy, efficiency and effectiveness prior to projects being implemented or progressed through the various gated stages.

There are two core areas where the metrics indicate there is more to be done; staff absence and tenant arrears.

- As part of the Group restructuring terms and conditions relating to holidays and sickness absence have been harmonised across the Group, but this has been coupled with an increase in data analysis to enable measurement of individual productivity in our teams where attendance represents the greatest challenge. This, combined with a comprehensive policy training programme for all managers, is expected to deliver improvements in the new financial year.

- Income collection policies and procedures have been refreshed during the year under the leadership of a new Executive Director and Senior Management team. Their focus on “rent first”, automation of processes and improving each stage of the customer’s journey - from tenancy sign-up to offering a wider range of accessible payment options - should result in a marked reduction in both current and former tenant arrears, notwithstanding the impact of an anticipated increase in Universal Credit sign-ups arising from the expected economic slow-down.

Increasing Development Capacity and Supply

Progress against the new Development Strategy and associated VFM performance has been monitored via focus on a number of KPIs which reflect the Group’s intent to deliver an increasing level of new supply across a range of tenures which meet the demographic needs of Knowsley and surrounding boroughs.

Increasing Development Capacity & Supply	FY 2017/18	FY 2018/19	FY 2019/20	Target	Benchmark	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24
*New Supply % (Social)	1.2%	0.9%	0.4%	0.8%	1.5%	0.9%	0.3%	3.8%	2.1%
*New Supply % (Non-Social)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
*Gearing - Livv Housing Group (the Company)	70.5%	70.9%	65.9%	67.3%	43.4%	59.3%	59.4%	58.2%	54.0%
Starts on Site	98	56	185	314		491	200	200	300
Handovers	173	116	55	61		118	300	300	200
Initial Shared Ownership Sales	2	54	48	61		88	75	75	50

*Mandatory VFM measures

In terms of VFM headlines throughout the year the Group:

Approved and commenced delivery of a new development strategy which will deliver c300 new homes per year. Currently 1,100 new homes have been planned, with an anticipated mix of 60% rented units, with the remaining 40% either shared ownership or rent to buy. This represents a significant investment for the Group – in part from value gains generated from a range of Value for Money projects and initiatives and addresses the stock depletion of recent years. The cash-flows associated with the development programme over the next 5 years will generate an NPV gain of £4.8m.

Livv Housing Group’s new development strategy will deliver 1,111 new homes, with Delivered completions on 55 new rental properties and 48 new shared ownership properties. A decision to focus on completion of legacy agreements and review the capacity and capability of the delivery teams meant that this was lower than our original target, but multi-year joint venture arrangements with Seddons and Knowsley MBC were successfully concluded and the review of our business development approach and processes was concluded laying the foundations for the effective delivery of the revised investment and development programme agreed by the Board for the next three years.

Assessed its indebtedness, interest rate and gearing position through a Treasury Strategy review. Gearing, as calculated on a VFM basis, is high as result of the fair value adjustment to a non-basic loan and the historic cost basis used in accounting for homes. Gearing on a covenant basis is 41% and over 35% of our units remain unencumbered. This lower level of gearing using the covenant calculation is reflected in EBITDA MRI% - with lower than average interest charges and continuing high level of Right to Buy and Right to Acquire sales contributing to earnings.

Economic, Efficient and Effective Asset Management

The revised Asset Strategy has been focused on developing an investment plan each year that reflects our most recent intelligence from stock condition data, customer demographics and local economic changes, commencing a programme of option appraisal of all properties with a negative Net Present Value (NPV) to identify how we can develop the financial or social returns from each property or to consider alternatives, commencing the process of appraising all garage sites to identify their alignment to this asset strategy, and initiating the development of our approach to the decarbonisation of homes aligned to the carbon neutral agenda.

Progress against the revised Asset Strategy and associated VFM performance has been monitored via a focus on a number of metrics and measures which help track the Group's strategic intent

Economic, Efficient & Effective Asset Management	FY 2017/18	FY 2018/19	FY 2019/20	Target	Benchmark	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24
*Return on Capital Employed %	6.9%	5.6%	5.6%	5.7%	3.8%	5.9%	5.1%	5.2%	5.9%
Re-let times (Days)	76	94	113	55	28	30	30	30	30
*Reinvestment %	7.8%	7.1%	6.9%	6.7%	6.2%	17.2%	16.6%	14.8%	8.6%

*Mandatory VFM measures

Since November 2019 when the Board approved the Asset Strategy and Investment Plan the approach has enabled VFM progress across a number of headline areas via :

Concluding option appraisals on 91 long term voids which were repaired and brought back into the rental stock, and accelerated regeneration projects to decant tenants, thus avoiding the risk of increased compliance investment being required in properties earmarked for demolition. This increased impairment and decanting charges in the year. Completed stock condition surveys and the resultant asset strategy led to increased depreciation in the year as asset lives were aligned to the new investment plans.

Forward Planning for the next five years. The business undertook an extensive stock condition survey (SCS) programme resulting in 91% of our homes having been assessed within the last three years – with the asset strategy and investment plan now updated to reflect the Group's growth objectives and the outcomes of that survey.

Reinvesting in our stock base. Despite low margins, ROCE is higher than sector averages as a result of relatively low gearing on a valuation basis and resulting high interest cover. Reinvestment in 2019/20 reflects the work to complete our capital compliance programmes.

Refurbishing and reletting. The decline in re-let times reflects the decision outlined above to refurbish properties and bring them back into use following option appraisal. Underlying performance has improved significantly as the business has benefited from re-engineering the voids process to remove delays and waste. This will be reflected in the 20/21 results which will have a full year effect without the adverse impact of repairing the historic voids.

Evaluating and Appraising. To demonstrate a full understanding of the return generated from our assets compared to the costs of maintaining those assets, we have used our Asset Performance Evaluation Model to look at the estimated operating margin for each individual property. We have a 30-year NPV for each property which can be recalculated each year of the 30-year investment plan and can show an overall margin for properties by property group. The property groups have been set by geographic area and property type combined. This information has been used to identify, in the first instance, those groups giving a poor return on investment (those with a negative, low or declining NPV).

In summary our performance is as follows:

NPV Performance	**Range**	**% of Stock**
Negative	(£16k) - £1	2.59%
Marginal	£1 - £10,000	18,42%
Good	'> £10,000	78.99%
Total for portfolio	**Average NPV**	**£22,393**
Benchmark	**Savills Average 30-year NPV (North West England)**	**£15,630**

The groups identified will now be appraised to confirm what is the best action to take with regeneration, disposal, change of use and change of tenancy type all being potential options – each recommendation will be presented to our Investment Appraisal Panel for consideration and decision.

The overall aim will be to improve the return generated by our portfolio overall and provide our customers with sustainable homes fit for now and the future.

Our Future Plans

Our new vision and plan is to "Unlock Potential" of our neighbourhoods, tenants and employees by streamlining our business to focus on delivering the best value for all our stakeholders.

Knowsley has historically been a lower value rental and home ownership area – with limited levels of new supply. However, more recently there has been a much more active development market across several key sites with several regional and national house builders present. Most new supply is in the family housing sub £300k market, with a more limited new supply of private rental and affordable housing. Like most boroughs in the North West, Knowsley is seeking to diversify its historic demographics, and enabling infrastructure works have commenced with funding allocated by the Liverpool City Region to kick start growth initiatives.

Livv Housing Group has closely aligned its priorities to the Knowsley 2030 partnership strategy which seeks to make the Borough a thriving inclusive economy with opportunities for people and businesses. Our mission is to provide homes and opportunities for everyone. We seek to use our resources wisely to achieve lasting, beneficial change through focusing on our core objectives.

Building More Homes:

By focusing on delivery of providing further new homes to rent, we aim to replenish our portfolio for homes that have been bought by customers through right to buy and right to acquire and diversify the range of homes available to reflect local demographics. Combining this with homes for shared ownership and rent to buy we will deliver at least 300 new homes per year by 22/23.

Strategic, Smart, Safe

By embracing insight, innovation and technology we will enhance our understanding of our customers, communities and assets which will enable us to target resources more effectively. Our evidence driven approach will ensure the effective measurement of both the financial and social impact of our decisions and the management of risk.

Livv Together

We will tackle the problems of financial and digital exclusion by focusing our social investment on the supporting education, skills and employability.

Livv Well

High standards of governance and risk management will underpin our commitment to sound finances. We will focus on value for money, improving operating margins and improving our credit strength to underpin our portfolio growth ambitions.

VFM Metrics, Measures, and Cost Drivers

From a Value for Money perspective, comparison of the previous, current year and forecasts against target across the metrics and measures (in particular operating margin) shows that Livv Housing Group has been and will continue to improve against the sector benchmarks as outlined in the 2019 Global Accounts, and is forecast to attain close to median levels by the end of year 2020/21.

Our key operational cost drivers are:

- Staff Costs - employee numbers, combined with pay settlements, other terms & conditions and investment in training.
- Asset Repair and Investment Costs - arising from a combination of our stock condition requirements, component life cycles, replacement policies, compliance requirements, specifications, productivity and volumes. These costs could be at risk of inflation in the short term due to the impact of COVID 19 on supply chains

Total Development costs are driven by:

- Land Costs - acreage, ground conditions, and market value
- Above Ground Costs - square metreage, specification, and time to construct
- Preliminary Costs – time and percentage related
- On Costs - percentage driven - and will be reduced by rationalising the number of external consultants, continuing to tender all consultant appointments, and via standardisation.

Other Discretionary Costs:

- We have a rolling programme of Value for Money challenge and cost driver assessments. During the current year and into 2020/21 we are focusing on our Top 15 Costs and their Drivers – this covers a range of areas from Training and Development through to Corporate Insurance.

We also have a rolling procurement plan, and a broader VFM improvement plan, which is endorsed by Board with progress reported and monitored throughout the course of the year. In order to continually improve group-wide reporting and to ensure a focused golden-thread approach to assurance measures, all performance metrics were reviewed during the year to arrive at a suite of metrics that reflect the strategic intent of the Group.

Targets have been set and agreed by Board after consideration through three lenses where appropriate:

- Alignment to budget and strategic objectives
- Awareness of appropriate benchmarks
- Analysis of current and forecast performance

Each Strategic Measure has supporting metrics and measures that provide context and assist in directing balanced corrective action.

Customer Ease	Employer of Choice Rating	Internal Rate of Return	Operating Expenditure	Financial Strength	Risk
• Satisfaction • Social Value	• Stability Index • Days lost per FTE	• Starts on Site • First Tranche Sales	• Rent Generated • Property Expenditure	• Operating Margin • Gearing	• Compliance • RIDDOR

We benchmark the first tier VFM metrics against the median performance of a subset sector, appropriate to our size and location, as published annually by the Regulator of Social Housing. Our second tier supporting measures are benchmarked against relevant industry and sector benchmarks using sources such as Housemark, CIPD, RICS and other professional bodies.

Conclusion

The Group is now appropriately resourced to deliver on its economic objectives, as one-off costs associated with compliance and the Voluntary Undertaking drop out of the cost base and rent increases and stock growth contribute to margin performance.

A number of projects and initiatives are underway which will contribute to our improvement across all three facets of Value for Money. These include:

- Three key corporate projects - Income Maximisation, Customer Insight TOM, and Service Charges – and numerous Continuous Improvement Initiatives which will ensure we deliver ongoing Value for Money gains which can be reinvested in new homes delivery, assets, services and communities.

- An ongoing programme of Strategic Reviews – including for example the IT strategy review to enhance efficiency and effectiveness through improved integration and automation of systems, and reduction of compliance risk.
- A rolling procurement plan across all business units – including for example a joint procurement programme for components within new and existing homes to drive economies of scale and raise the overall standard of our homes.

Improved governance around VFM is now embedded through a structured and tiered approach to performance management with oversight at Board, Executive and Senior Leadership Team level, which is managed through regular reviews of progress and monitoring of agreed actions. Performance is communicated throughout the organisation via management updates and a programme of engagement events, whilst our stakeholders are kept informed through the publication of our statutory accounts.

As a consequence, the Group is returning to a financial steady state with VFM firmly embedded – with the updated budget allocations, financial plans, and non-financial targets reflecting the Group's revised strategic priorities. The financial management culture of the organisation has improved through communication and engagement, budgets are well understood, and decision making is robust with Value for Money having moved to the forefront of decision-making.

Howard Roberts
Executive Director – Finance, Risk & Performance

Governance

First Ark Group Structure

During the year, First Ark Group comprised the following companies:

- **First Ark Limited**
  Created in 2010, First Ark Limited was the parent company and provided a range of corporate services to the subsidiary members of the First Ark Group.

- **Knowsley Housing Trust Limited**
  The registered housing provider in the Group, constituted as a Co-operative and Community Benefit Society

- **KHT Services Limited**
  KHT Services was formed in 2013, as a subsidiary of KHT, to build homes in the North West for both sale and shared ownership.

- **KHTS Development Limited**
  KHTS Development Ltd, a dormant subsidiary of KHT set up with the specific future role of delivering homes for shared ownership.

- **Vivark Limited**
  Launched in 2012, the Group commercial arm delivering facilities management, repairs, maintenance and refurbishment services both internally to KHT and externally to selected partners.

- **One Ark Limited**
  One Ark was launched in 2013 as a registered charity to secure funding and investment to provide life-changing opportunities to people in Knowsley and the surrounding communities.

- **First Ark Social Investment Limited (FASI)**
  FASI is a special purpose vehicle established in 2016 to deliver a single social investment fund known as "Invest for Impact" with funding provided from Big Society Capital and the Big Lottery Fund.

During the year the Group undertook a review of its governance structure and reduced the number of companies resulting in a more streamlined structure that supported the strategic aims of the organisation more effectively. The following changes were made to deliver the new structure:

- The Group parent company, First Ark Limited, was registered as a charitable Co-operative and Community Benefit Society with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 (Registration number 008298) on 15 January 2020. This enabled the transfer of all assets and liabilities to Knowsley Housing Trust under a Transfer of Engagement. This transfer completed on 1 April 2020.
- All the assets and liabilities of One Ark Limited were transferred to Knowsley Housing Trust under a Business Transfer Agreement on 1 April 2020.

These changes resulted in Knowsley Housing Trust becoming the Ultimate Parent Undertaking of the Group from 1 April 2020. The legal entities of First Ark Limited and One Ark Limited will be fully removed from the structure through dissolution and strike off during 2020/21. The process to strike off KHTS Development Limited is ongoing.

Following the simplification of corporate entities, the Group was renamed Livv Housing Group. The resulting structure will be as follows;

- Livv Housing Group (formerly Knowsley Housing Trust Limited)
  The Group parent company and Registered Provider of social housing

- Livv Homes Limited (Formerly KHT Services Limited)
  A wholly owned subsidiary of Livv Housing Group, this company will develop homes for rent and shared ownership.

- Livv Maintenance Limited – Formerly Vivark Limited
  A wholly owned subsidiary of Livv Housing Group.

- First Ark Social Investment Limited (FASI)
  A wholly owned subsidiary of Livv Housing Group.

All the First Ark Group companies were signatories to an intra-group agreement, which regulated relationships between the companies and clarified the role of the parent company. The Agreement also clearly set out how Knowsley Housing Trust, as the registered provider of social housing, would protect its social assets.

A revised intragroup agreement was signed on 1 April 2020 by those entities intended to remain in the structure.

The Board & Committees

With effect from 1 April 2019 the Group was managed by a new Common Board of Directors, bringing a wealth of skills and experience to Board deliberations, from a variety of industry sectors, committed to the highest standards of conduct in carrying out their individual roles. All Board Members signed up to our Code of Conduct, which is based on the National Housing Federation (NHF) Board Member Code of Conduct and sets out the obligations and expectations placed on them both individually and collectively.

FASI was not part of the Common Board arrangements, as it is a special purpose vehicle to distribute Big Society Capital and the Big Lottery Fund funding, having specific governance requirements under its funding agreements. The FASI Board comprised two Executive Directors and one Non-Executive Director from the Common Board as Chair.

The Common Board arrangements continue in the new structure, with 10 Non-Executive and two Executive Directors making up the governing body of Livv Housing Group, Livv Maintenance Limited and Livv Homes Limited. FASI continues to have a separate Board as outlined above.

During the year, the Common Board delegated various matters to the following committees:

- **Audit and Risk Committee (ARC)**
  ARC is responsible to the parent Board for both internal and external audit issues, business assurance, risk management oversight and internal control systems. The Committee also receives the Group's Annual Report & Financial Statements and recommends to the Board for approval, monitors the Group's long-term strategic financial health and supports the Board in overseeing regulatory, charitable and legal compliance issues. In accordance with governance best practice, its Terms of Reference were reviewed in 2019/20 and updated as of 1 April 2020.

- **Remuneration and Nomination Committee**
  The Remuneration and Nomination Committee oversees succession planning and recruitment for the Chief Executive and Executive Team, the Boards of the Group companies, together with the remuneration of Non-Executive Board Members. In accordance with governance best practice, its Terms of Reference were reviewed in 2019/20 and updated as of 1 April 2020.

- **Customer Services Committee**
  The Customer Services Committee monitors the ongoing quality of services provided to customers through the review of operational performance, customer feedback and customer service standards. It considers statutory compliance, regulatory compliance and risk management for delivery of the customer services, making recommendations to the Group Board where improvement is required. In accordance with governance best practice, its Terms of Reference were reviewed in 2019/20 and updated as of 1 April 2020.

- **Social Investment and Enterprise Committee**
  The Social Investment and Enterprise Committee oversaw the operational and financial performance of One Ark Ltd and First Ark Social Investment Ltd. It monitored the delivery of their strategic objectives and contractual obligations and had oversight of their risk management. It also approved charitable investment activity within the delegations and parameters agreed by the Group Board. In accordance with governance best practice, its Terms of Reference were reviewed in 2019/20 and the Committee was removed from the structure from 1 April 2020 to be replaced by a Business Growth, Development and Investment Committee that better reflects the needs of the business following the Group restructuring.

- **Customer Assurance Panel (CAP)**
  Any customer resident in Knowsley was eligible to apply to join our CAP, which had a key role in providing an overview of the customer experience with a view to developing and improving our services to customers. Chaired by an Independent Chair, with up to 12 members, the CAP had a co-regulatory role and supported the business in meeting its regulatory obligations. The CAP was dissolved in November 2019 and a new customer engagement model, The Quality Improvement Panel, was initiated in April 2020.

Board Member Attendance

From the 1 April 2019 until the 31 March 2020 the Boards of KHT, KHT Services and KHTS Development were operating together as one Common Board, the following Executive and Non–Executive Directors have served on the Common Board, with their attendance during the year being as follows:

Director	Common Board (including KHT, KHTS and KHTSD)
Philip Raw	86%
Steve Agger	86%
John Bowker	100%
Kevin Brady	100%
Anthony Deakin	71%
Mark Dunford	100%
Georgia Parker	100%
Phil Pemberton	100%
John Ray	86%
Lee Sugden	100%
Tracey Johnson	71%
Nicola Waterworth	100%
Leann Hearne	100%
Eleanor Bowden	50%

Our Board Members bring a wealth of skills and experience, from a variety of industry sectors, to Board deliberations and are committed to the highest standards of conduct in carrying out their individual roles. All Board Members have signed up to our Code of Conduct, which is based on the NHF Board Member Code of Conduct and sets out the obligations and expectations placed on them both individually and collectively. This is further reflected in their Agreement for Services and forms part of the annual Board Member appraisal process.

The Board and its Committees have scheduled meetings for regular business items and an annual All Board Away Day to discuss strategy and direction of travel. Board Members also attend regular workshops and development sessions and keep training and development logs that form part of the appraisal process.

The Board may convene between meetings if urgent decisions are necessary. Our rules allow attendance by telephone, or video conference, or decision-making via written resolutions, which assists effective governance. Where necessary we hold virtual meetings to facilitate the timely consideration of individual matters between scheduled meetings.

Governance Compliance

The Group has adopted the NHF Code of Governance 2015 (the Code) both for Livv Housing Group as the regulated entity and for the other legal entities within the Group. The Board reviews compliance with the principles of the Code via a detailed report on an annual basis. The Board also receives an annual review of each of its Committees and their performance, against their delegated Terms of Reference, to further ensure the Group is meeting its compliance requirements.

The annual reports of each Committee were received by the Board in May 2020 and the annual report on compliance with the Code for 2019/20 was received at the July 2020 Board meeting. The Board has subsequently confirmed that the Group was fully compliant with the Code for the year

Regulatory Compliance

A self-assessment of compliance with the Regulatory standards, including the Governance & Financial Viability standard, was undertaken in June 2020 and approved by the Board in July 2020. On the basis of that assessment the Board certifies that it considers the company to be fully compliant with the requirements of the standards.

Risk

Principal risks and uncertainties

The Group's Risk Management and Assurance Framework supports the effective identification, assessment, management and monitoring of strategic, operational and project risk in alignment with governance, leadership, compliance and service delivery activity.

Risk and assurance reporting forms a core part of the Group's governance arrangements and informs the Groups strategic planning and decision-making activity, enabling clarity of direction and well-informed decision making across the Group.

The Board defined risk appetite and tolerance measures are monitored in respect of all identified risks, with frequent review at Board, Committee, Executive and Management level. Board approved actions are taken where risks may require closer alignment to risk appetite.

Risk management is a continuous process that enables the Group to:

- Take a proactive approach, anticipating and influencing events before they occur
- Facilitate better and informed decision making
- Ensure that Group continues to operate effectively in the context of a changing internal and external risk environment.

Response to Covid-19

The Group is continuing to respond to the emergency situation in alignment with UK Government measures, as they arise. This has involved short, medium and long-term considerations and actions, with temporary measures implemented across the Group through the course of the restrictions, which enabled the continuation of our services.

Risk exposures include those in relation to core service delivery, liquidity, counter party and compliance and we are prepared to respond to emerging long-term risks as the restrictions lift over time. We utilise response measures at a strategic and tactical level to plan and respond, maintaining mitigating measures and controls and ensuring safe working practices for our teams and the safe delivery of necessary services to customers.

Detailed stress testing has informed us of the key sensitivities in our financial planning and resilience planning aligns with those key sensitivities.

Current Strategic Risks
High level strategic risks that have been under close management, monitoring and review throughout the year include:

Key Risk	Key Mitigation and Assurance
Health and Safety Compliance We have a responsibility to maintain compliance with statutory health and safety requirements. Thereby not risking the safety of our customers, employees, stakeholders and the public at large. This includes in the servicing and maintenance of our current housing stock, development of new housing, provision of services to tenants and colleague working arrangements and activities.	A Compliance Framework and associated systems across all areas of compliance responsibility are embedded. Detailed delivery and performance targets are aligned to statutory requirements and where relevant additional measures, these are scrutinised across the Group's governance structure. Quality review and validation arrangements support the integrity of data and provide assurance on the reliability of systems and data for performance reporting purposes.
Cyber Security Cybercrime and related cyber security threats continue to be major global risks. Threats are widespread and ever developing meaning there needs to be consistent and intensive resourcing and control in place to manage these risks consistently.	Diligent maintenance and testing of systems and continuing to develop arrangements and controls in line with emerging threats to our network including controls to protect our systems, IT availability and capacity and wider financial management controls. Our Information and System Security Policy defines arrangements on comprehensive management, monitoring procedures, processes and tools and a cyber-attack management response plan to mitigate the impact and extent of any attacks should these occur. Comprehensive understanding of our critical systems and planning for how we will continue to provide critical systems and recovery in the short, medium and long-term in the event of a business continuity threat occurring.

Key Risk	Key Mitigation and Assurance
Development Obligations to Homes England, to deliver an affordable housing programme and wider development targets over the medium and long-term for new homes delivery.	The development strategy and defined targets in place along with arrangements for the achievement of the programme. Supported by development scheme, financial and compliance controls. Pipeline, financial viability, scheme management and other related targets are scrutinised across the Group's governance arrangements.
Financial Viability Sound financial management enables the achievement of the timely and efficient achievement of corporate objectives. This includes long-term financial viability, access to adequate funding, the ability to achieve loan covenants and planning for economic factors.	Defined and monitored financial regulations, and golden rules. Financial planning and embedded controls to support the integrity of financial information and reporting. Stress testing of the business plan to inform resilience and planning for recovery should an event/series of events impact our key assumptions.
Stock Condition Accurate profiling and stock condition understanding informs us in delivering effective compliance, repairs and investment activity. This also enables us to align continuing customer needs and expectations to optimising our stock and delivering value for money. This includes undertaking efficiently planned works and making sound investment decisions through understanding and maintaining data in relation to stock condition, completed works and customer need.	The Asset Strategy and related investment plans are driven by outcomes from the recent Stock Condition Survey. An evidence-based approach to the delivery of investment activity is applied. The strategy is based on six key principles with measurements for the achievement of these reviewed and reported regularly. Asset management systems are in place, structured to support the maintenance of comprehensive and reliable stock information with quality review arrangements to support data integrity.

Philip N. Raw   A Deakin   Sharon Marsh

Philip Raw
Chair of the Board

Anthony Deakin
Chair - Audit & Risk Committee

Sharon Marsh
Company Secretary

Board Report

The Board presents its report and the Group's audited financial statements for the year ended 31st March 2020.

Principal Activities, Business Review and Future Developments
Details of the Group's principal activities, its performance during the year and factors likely to affect its future development are contained within the Strategic Report which precedes this report.

Board Members, Group Chief Executive and Executive Directors
The current Board members and Executive Directors, and those who served during the year, are set out on Pages 1 and 2. The Board members are drawn from a wide background bringing a range of professional, commercial and local experience.

The Group has insurance policies in place that indemnify its Board members and Executive Directors against liability when acting on behalf the Group.

Remuneration Policy
A Remuneration and Nomination Committee is responsible for recommending, to the Board, the Group's pay policy and terms and conditions of employment for the Group Chief Executive. In addition, the Remuneration and Nomination Committee is responsible for setting the remuneration of Executive Directors and their terms and conditions, including an annual salary review.

Pensions
All Group employees, including the Chief Executive and the Executive Directors, are eligible to join a defined contribution scheme which the Group contributes towards on behalf of its employees.

Employees
The strength of the Group lies in the quality and commitment of its employees. The Group recognises the importance and contribution of the employees to the ongoing success of the business. We will recruit the best colleagues, board members and volunteers to reflect the profile of the communities where we work and will invest in their wellbeing and development through training and initiatives to promote healthy minds and bodies.

The Group is committed to equality of treatment and opportunity for all of its employees: we embrace and value diversity and we are committed to having a diverse workforce that reflects the communities within which we work

The business consults with its employees on matters affecting the workforce through two representative Groups:

- The Joint Consultative Committee, which includes representation of recognised Trade Unions and;
- The Employee Forum which was created to support employees by giving everyone a voice and comprises representatives from each part of the Group.

Health & Safety

The Board is aware of its responsibilities on all matters relating to health and safety. The group has prepared detailed health and safety policies, has a robust safety management system in place, and provides training and education to all of its staff on health and safety matters appropriate to their role.

Corporate Social Responsibility

Livv Housing Group has an unwavering commitment to serving local communities by helping them to live happy, successful and fulfilled lives in diverse, welcoming and sustainable places. Investment in our homes and communities plays a key part in achieving our vision. It connects people to place, builds on and contributes to our long-term financial strength and capacity and demonstrates our commitment to our customers.

Our Community Investment Strategy is underpinned by a number of policies and strategies that extend across all aspects of being a socially responsible business including:

- The Environment policy;
- The People strategy;
- The Value for Money strategy;
- The Procurement policy;
- The Volunteering policy;
- The Tenancy Sustainability Strategy.

The Group reports on its social impact annually through its Social Accounts.

Customer Complaints

Livv Housing Group is committed to providing excellent services to our customers. We want to get things right first time; however we understand that sometimes this may not happen. If a customer believes that there has been a failure in service or we have not met our standards we want them to be able to make a complaint in a way that suits them. Our complaints policy sets out our approach to receiving, investigating and responding to complaints.

When complaints are received we aim to resolve them fairly and efficiently in line with our policy. We are committed to learning from customer feedback including complaints and use this information to identify service improvements. All staff are briefed on the policy and procedures to ensure that complaints are dealt with consistently and fairly.

Donations

Livv Housing Group received a gift aid payment from Livv Maintenance Limited of £500k in the year (2019: £850k).

Livv Housing Group and its subsidiaries did not make any political donations.

Payment of Creditors

Our policy is to pay undisputed purchase invoices within 30 days of the invoice date or earlier if agreed with the supplier.

National Housing Federation (NHF) Excellence in Governance 2015

The Group complies with the principal recommendations of the NHF guidance, Excellence in Governance 2015 as set out in the Strategic report on Pages 6 to 25.

Internal Control Report

The Board has ultimate responsibility for the system of internal control, which applies to the Group and its entities. The Audit and Risk Committee is responsible for and reports to the Board on the effectiveness of the internal control system through its oversight and scrutiny of the Risk Management and Assurance Framework, internal and external audit arrangements and outputs from other assurance activity.

The system of internal control is designed to manage risk and provide reasonable assurance that:

- Objectives are achieved
- Assets, including social housing assets are safeguarded
- Proper accounting records are maintained
- Financial information used within the business or for publication is reliable
- Performance information used within the business or for publication is reliable

The Risk Management and Assurance Framework defines the Board’s strategy, policy and approach to identifying, assessing and managing risks to the Group. The Risk Management and Assurance Policy defines the Board’s risk appetite and tolerance measures which have been applied throughout 2019/20.

Internal Audit

The system of internal control is subject to a regular programme of independent review. PWC, the internal auditors to the Group, provided a programme of reviews for the year 2019/20. The Audit and Risk Committee approved this programme and kept it under regular review throughout the year.

The Audit and Risk Committee has been presented with regular reporting of the outputs from internal audit reviews throughout the year, along with monitoring in relation to the achievement of any recommendations made, in line with agreed deadlines.

External Audit

The Group is committed to sound financial management in all aspects of its business and has robust business planning and budgeting frameworks in place. Monthly financial and performance management reporting is provided to the Board to enable scrutiny of the achievement of objectives.

Our External Auditors, Mazars LLP, liaise with the Audit and Risk Committee on the nature and scope of the planned audit programme and provide feedback to the Committee on the operation of financial internal controls, reviewed as part of their annual audit activity, through their management letter.

Fraud

The Board has a Counter Fraud Policy in place that includes fraud prevention and detection. A Fraud Register is maintained throughout the year and reported to the Audit and Risk Committee on a regular basis.

The Board has a responsibility to ensure material fraud is reported to the Regulator of Social Housing immediately. There have been no cases of fraud reportable to the Regulator of Social Housing within the year.

The Board also has a Whistleblowing Policy in place that promotes openness, accountability and transparency by enabling serious concerns to be raised and investigated in a robust manner. A Whistleblowing Register is maintained throughout the year and reported to the Audit and Risk Committee on a regular basis.

Public Benefit Statement

The Board confirms that we have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Group's aims and objectives and in planning future activities.

The Board confirms that the Group does not undertake any public fundraising and does not work with any third-party commercial participators or professional fundraisers.

Internal Control Statement

The Board acknowledges that its responsibility applies to the full range of risks and controls across all Group activities. The Board has considered the effectiveness of the system of internal control in place in the year ended 31 March 2020 and concludes that governance, risk management and internal control arrangements are operating effectively.

Going Concern

The Group's business activities, its current financial position and factors likely to affect future development are set out in the Strategic Report. The Group has long-term debt facilities in place that provide adequate resources to fund committed development and reinvestment programmes together with day-to-day activities. After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the financial statements are signed. For this reason, the Board continues to adopt the going concern basis in the financial statements.

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

The Board is responsible for preparing the Strategic Report, Board Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law 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 company and group for that period. In preparing these financial statements, the Board are 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 Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 Group and Trust 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 (April 2019). It is also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Report of the Board was approved by the Board on 16 September 2020, and signed on its behalf by:

	A Deakin	Sharon Marsh
Philip Raw	Anthony Deakin	Sharon Marsh
Chair of the Board	**Chair Audit & Risk Committee**	**Company Secretary**

Independent Auditor’s Report to the Members of Livv Housing Group

Opinion

We have audited the financial statements of Livv Housing Group (the ‘parent’) and its subsidiaries (the ‘group’) for the year ended 31 March 2020 which comprise the group and the parent’s Statements of Comprehensive Income, the group and the parent’s Statements of Financial Position, the group and the parent’s Statements of Changes in Reserves, the group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 group’s and of the parent’s affairs as at 31 March 2020 and of the group’s and the parent’s surplus 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 Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Emphasis of matter – Going concern and the impact of COVID-19 outbreak on the financial statements

In forming our opinion on the Group and parent company financial statements, which is not modified, we draw your attention to the Board’s view on the impact of COVID-19 as disclosed on page 23 and the consideration in the going concern basis of preparation on page 39.

During the latter part of the financial year, there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The impact of COVID-19 is still evolving and, based on the information available at this point in time, the Board have assessed the impact of COVID-19 on the business and reflected the Board's conclusion that adopting the going concern basis for preparation of the financial statements is appropriate.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

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:

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

Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities set out on page 30, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

This report is made solely to the Company's members as a body in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Mazars LLP 30 / 09 / 2020

Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham
B3 2RT

Statement of Comprehensive Income

For year ended 31 March 2020

	Notes	Group		Company	
		31 March 2020 £'000	31 March 2019 £'000	**31 March 2020 £'000**	31 March 2019 £'000
Turnover	3a	**64,988**	68,231	**63,474**	64,944
Cost of Sales	3a	**(5,220)**	(7,132)	**(3,845)**	(4,022)
Operating expenditure	3a	**(47,842)**	(49,968)	**(47,831)**	(49,967)
Discontinued activities		-	-	-	-
Gain on disposal of property, plant and equipment (fixed assets)	6	**3,162**	3,309	**3,162**	3,309
Operating surplus		**15,088**	14,440	**14,960**	14,264
Share of operating surplus in joint venture	7	-	-	-	-
Interest receivable	8	**119**	92	**138**	229
Interest and financing costs	9	**(8,125)**	(7,792)	**(8,125)**	(7,792)
Movement in fair value of financial instruments		**681**	(3,430)	**681**	(3,430)
Surplus before tax	10	**7,763**	3,310	**7,654**	3,271
Taxation	11	**(14)**	(8)	-	-
Surplus for the year after tax		**7,749**	3,302	**7,654**	3,271
Re-measurement in respect of pension scheme	14	**146**	(101)	**146**	(101)
Total comprehensive income for the year		**7,895**	3,201	**7,800**	3,170

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

[illegible] A Deakin Sharon Marsh

Philip Raw
Chair of the Board

Anthony Deakin
Chair Audit & Risk Committee

Sharon Marsh
Company Secretary

The notes on pages 38 to 71 form an integral part of these financial statements.

Statement of Financial Position

For year ended 31 March 2020

	Notes	Group		Company	
		31March 2020 £'000	31 March 2019 £'000	**31 March 2020 £'000**	31 March 2019 £'000
Fixed Assets					
Housing properties	15	**239,234**	233,661	**239,234**	233,661
Other property, plant & equipment	16	**1,545**	1,754	**1,545**	1,754
		240,779	235,415	**240,779**	235,415
Current assets					
Properties held for sale	19	**3,531**	3,909	**3,531**	2,426
Trade and other debtors	20	**3,397**	3,090	**3,337**	4,440
Cash and cash equivalents	21	**28,338**	20,976	**28,165**	20,927
		35,266	27,975	**35,033**	27,793
Less:					
Creditors: amounts falling due within one year	22a	**(6,943)**	(7,267)	**(6,921)**	(7,201)
Net current assets		**28,323**	20,708	**28,112**	20,592
Total assets		**269,102**	256,123	**268,891**	256,007
Creditors: amounts falling due after more than one year	22b	**225,667**	220,337	**225,667**	220,337
Provisions for liabilities					
Pension provision	14	**2,040**	2,286	**2,040**	2,286
		227,707	222,623	**227,707**	222,623
Reserves					
Revenue reserve		**41,395**	33,500	**41,184**	33,384
		269,102	256,123	**268,891**	256,007

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

[illegible]	A Deakin	Sharon Marsh
Philip Raw	Anthony Deakin	Sharon Marsh
Chair of the Board	**Chair Audit & Risk Committee**	**Company Secretary**

The notes on pages 38 to 71 form an integral part of these financial statements.

Statement of Changes in Reserves

For year ended 31 March 2020

	2020	
	Group	**Company**
	£'000	**£'000**
Balance as at 1 April 2019	33,500	33,384
Total comprehensive surplus	7,895	7,800
Balance at 31 March 2020	**41,395**	**41,184**

	2019	
	Group	Company
	£'000	£'000
Balance as at 1 April 2018	30,299	30,214
Total comprehensive surplus	3,201	3,170
Balance at 31 March 2019	33,500	33,384

The notes on pages 38 to 71 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For year ended 31 March 2020

Group	Notes	2020 £'000	2019 £'000
Net cash inflow from operating activities	A	19,210	21,902
Cash flow from investing activities			
Purchase of tangible assets		(16,200)	(15,190)
Grants received		7,039	2,079
Proceeds from sale of tangible fixed assets		4,702	4,473
Interest received		108	66
Gift Aid		500	850
		(3,851)	(7,722)
Cash flow from financing activities			
Interest paid		(7,997)	(7,857)
(Decrease) in loan finance		-	-
		(7.997)	(7,857)
Net Change in cash and cash equivalents		7,362	6,323
Cash and cash equivalents at beginning of the year		20,976	14,653
Cash and cash equivalents at end of the year		28,338	20,976

Note A **Reconciliation of surplus to net cash inflow from operating activities**	2020 £'000	2019 £'000
Surplus for the year before tax	7,749	3,302
Adjustments for non-cash items:		
Depreciation	8,341	8,394
Impairment	930	250
Fair value adjustment	(681)	3,430
Proceeds from the sale of tangible fixed assets	(4,632)	(4,563)
Carrying Value of property sales	1,470	1,254
Gift Aid	(500)	(850)
Adjustment for investing activities	279	253
Government grants utilised in year	(420)	(402)
Amortisation of loan arrangement fees	67	55
Decrease in stock	378	2,590
(Increase)/Decrease in trade and other debtors	(903)	354
(Decrease)/Increase in trade and other creditors	(783)	173
Other	22	(46)
Pension costs less contributions payable	(100)	(89)
Interest payable	8,072	7,881
Interest received	(100)	(92)
Corporation Tax	21	8
Net cash inflow from operating activities	19,210	21,902

The notes on pages 38 to 71 form an integral part of these accounts.

Notes to the Financial Statements

1. Legal Status

Livv Housing Group (formerly Knowsley Housing Trust) is registered under the Co-operative and Community Benefit Societies Act 2014 and is a registered provider of social housing.

The registered office is Lakeview, Kings Business Park, Prescot, Merseyside, L34 1PJ.

The Group has two subsidiaries; Livv Homes (formerly KHT Services Limited) and KHTS Development Limited are both registered under the Companies Act. Livv Homes develops homes for outright sale and shared ownership and KHTS Development Limited is currently dormant.

2. Principal Accounting Policies

Basis of Accounting

The financial statements of the group and company have been prepared in accordance with applicable UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

The accounts are presented in £ sterling and rounded to the nearest £'000.

They are prepared on the historical cost basis, other than as modified for the fair value of certain financial instruments as set out in the policies below.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions:

- The requirement to present a parent company statement of cashflows and related notes;
- disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole.

Notes to the Financial Statements (continued)

Going Concern

The Group's business activities, its current financial position and factors likely to affect future development are set out in the Strategic Report. The Group has long-term debt facilities in place that provide adequate resources to fund committed development and reinvestment programmes together with day-to-day activities.

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the financial statements are signed. For this reason, the Board continues to adopt the going concern basis in the financial statements.

Significant management judgements

The following are the significant management judgements made in applying the accounting policies of the Group that have the most significant effect on the financial statements.

1) Capitalisation of property development costs

The Group capitalises development expenditure in accordance with the accounting policy on housing properties. Initial capitalisation of costs is based on management's judgement that a development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

2) Supporting People

Management judgement is applied in determining the extent to which the risks and benefits are transferred to the company when considering the income to be recognised. Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in Turnover as per note 3. The related support costs are matched against this income in the same note. Support charges included in the rent are included in the Statement of Comprehensive Income from social housing lettings (note 4) and matched against the relevant costs.

Notes to the Financial Statements (continued)

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

1) Impairment.

From 1 April 2016, KHT has reduced its rental income by 1% per annum and has continued to do so each year including 2019/20 in accordance with the Government rent setting regime. This is an indicator of impairment, and as a result we have estimated the recoverable amount of housing properties as follows:

- Determined the level at which the recoverable amount is to be assessed. This was determined to be at individual property level;
- Estimated the recoverable amount of the property using the higher of EUV-SH valuations or depreciated replacement cost, using appropriate construction costs and land prices;
- Calculated the carrying amount of the property; and
- Compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

2) Tangible fixed assets

Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

3) Components of housing properties and useful lives

Major components of housing properties have significantly different patterns of consumption of economic benefits and estimates are made to allocate the initial cost of the property to its major components and to depreciate each component separately over its useful economic life. The Company considers whether there are any indications that the useful lives require revision at each reporting date to ensure that they remain appropriate.

4) Provisions

Provision is made for certain liabilities and for rent arrears that are considered uncollectable. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management’s judgement.

Notes to the Financial Statements (continued)

Basis of Consolidation
The group accounts consolidate the accounts of the company and all its subsidiaries at 31 March using the acquisition method.

The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the group (and its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate, using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Turnover and revenue recognition
Turnover comprises rental income receivable in the year, service charge income, income from shared ownership first tranche sales, sales of properties built for sale, support services and other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Service charge income is recognised in the period to which it relates net of losses from voids.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities

Loan interest costs
Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

Loan finance issue costs
Loan finance issue costs are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

Notes to the Financial Statements (continued)

Service charges

Service charge income and costs are recognised on an accruals basis. The Group operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge.

Where periodic expenditure is required, a provision may be built up over the years in consultation with the residents. Until these costs are incurred, this liability is held in the Statement of Financial Position within long term creditors.

Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in statement of comprehensive income, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair value of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Value Added Tax

The group is partially exempt in relation to Value Added Tax (VAT), and accordingly is able to recover from HM Revenue & Customs part of the VAT incurred on expenditure. At the year-end VAT recoverable or payable is included in the statement of financial position. Irrecoverable VAT is accounted for in the statement of comprehensive income.

Notes to the Financial Statements (continued)

Livv Homes can recover 100% of the VAT it incurs as all of its services are subject to VAT.

Tangible fixed assets and depreciation

Housing properties

Housing properties are properties held for the provision of social housing or otherwise provide social benefit. Properties are available for rent and are stated at cost, less accumulated depreciation less impairment.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The Group depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

The Group considers whether there are any indications that the useful lives require revision at each reporting date to ensure that they remain appropriate.

The UELs for identified components are as follows:

Component	Useful Economic Life
Structure	85 years
Kitchens	25 years (1)
Bathrooms	30 years (1)
Roofs	65 years (2)
Windows and doors	40 years (2)
Mechanical installation	40 years (2)
Boilers / storage heaters	15 years (2) - new
	20 years (2) - existing
Electrical installation	30 years (2)
Lift	20 years (2)
Shower	30 years (2)
Solar Panels	20 years (2)

(1) Or remaining life of the property, whichever is shorter
(2) Or remaining life of the property

The Group depreciates housing properties held on long term leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected useful economic lives which are as follows:

Fixed asset type	Useful Economic Life
Office premises	10 - 20 years
Plant and machinery	4 years
Computer equipment	3 years
Furniture, Equipment and Vehicles	4 years

Shared ownership properties

The costs of low-cost home ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in Turnover.

The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

Donated land and other assets

Land and other assets donated by local authorities and other government sources is added to cost at the fair value of the land at the time of the donation. Where the land is not related to a specific development, and is donated by a public body an amount equivalent to the increase in value between fair value and consideration paid is treated as a non-monetary government grant and recognised on the statement of financial position as deferred income within liabilities. Where the donation is from a non-public source, the value of the donation is included as income.

Impairment

Housing properties are assessed for impairment indicators annually. Where indicators are identified an assessment for impairment is undertaken comparing the property's carrying amount to its recoverable amount. Where the carrying amount of a property is deemed to exceed its recoverable amount, the property is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where the property is currently deemed not to be providing service potential to the Company, its recoverable amount is its fair value less costs to sell.

Leasing and hire purchase

Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their useful economic lives.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit and loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Other leases are treated as operating leases and payments are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to the Statement of Comprehensive Income over the term of the lease.

Stock and properties held for sale

Stocks of materials are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

Properties developed for outright sale are included in current assets as they are intended to be sold, at the lower of cost or estimated selling price less costs to complete and sell.

At each reporting date, stocks of materials and properties held for sale are assessed for impairment. If there is evidence of impairment, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in Statement of Comprehensive Income.

Short-term debtors and creditors

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

Where deferral of payment terms has been agreed at below market rate, and where material, the balance is shown as the present value, discounted at a market rate.

Rent arrears

Where a repayment schedule is in place for rent arrears, a net present value adjustment is made.

Government grants

Government grants include grants receivable from Homes England, local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received. Grants due from government organisations or received in advance are included as current assets or liabilities.

Notes to the Financial Statements (continued)

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the Homes England. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors. If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to income and expenditure.

Other grants
Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as deferred income.

Reserves
It is the policy of the Group to hold reserves to accumulate income in order to set aside funds for special purposes or as reserves against future expenditure.

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

Pensions
Contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

KHT participated in a multi-employer funded defined benefit scheme, the Merseyside Pension Fund (MPF) however; KHT exited the fund on 31st December 2015.
The MPF scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis. The net surplus or deficit is presented separately from other net assets on the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the Group through reduced contributions or through refunds from the plan.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income.

Notes to the Financial Statements (continued)

Public benefit entity concessionary loans

Public benefit entity concessionary loans are initially recognised as a loan at the amount paid to the purchaser and are subsequently updated to reflect accrued interest. Any impairment loss is recognised in the statement of comprehensive income.

Cash and cash equivalents

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

Investment policy

The Group ensures adequate liquidity is maintained at all times to meet unexpected expenditure requirements that may arise. A minimum of £5m is held in cash deposits available to withdraw immediately. The funds are kept in an interest-bearing deposit account in an attempt to maximise interest wherever possible in the event of KHT having surplus funds, consideration will be given firstly to supporting its capital investment programmes and the subsequently to repay its debt.

Financial Instruments

Financial assets and financial liabilities are measured at the transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as shown below, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Financial instruments held by the Group are classified as follows:

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables ,and are held at amortised cost using the effective interest method;
- Financial liabilities such as bank loans are held at amortised cost using the effective interest method;
- Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit. At each year end, the instruments are revalued to fair value, with the movements posted to the statement of comprehensive income.

Notes to the Financial Statements (continued)

Impairment of Financial Assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in statement of comprehensive income immediately.

The following financial instruments are assessed individually for impairment:
(a) All equity instruments regardless of significance; and
(b) Other financial assets that are individually significant.

Other financial instruments are assessed for impairment either individually or grouped on the basis of similar credit risk characteristics.

An impairment loss is measured as follows, on the following instruments measured at cost or amortised cost:
(a) For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate; and

(b) For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

If in a subsequent period the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal cannot result in a carrying amount (net of any allowance account) which exceeds what the carrying amount would have been had the impairment not previously been recognised. The amount of the reversal is recognised in the statement of comprehensive income immediately.

Notes to the Financial Statements (continued)

3(a). Turnover, cost of sales, operating expenditure and operating surplus

Group	Turnover £'000	Other Income £'000	Cost of Sales £'000	Operating expenditure £'000	Operating surplus £'000
	2020				
Social housing lettings (Note 4a)	**58,844**	**-**	**-**	**(47,449)**	**11,395**
Other social housing activities					
Supporting people contract income	65	-	-	(5)	60
Other supporting people income	157	-	-	(136)	21
Current asset property sales	5,635	-	(5,220)	-	415
Community investment	-	-	-	-	-
Other KHT Services	-	-	-	(11)	(11)
Management Services	123	-	-	(77)	46
Gain on disposal of housing properties	-	3,162	-	-	3,162
Total from social housing activities	**64,824**	**3,162**	**(5,220)**	**(47,678)**	**15,088**
Activities other than social housing					
Lettings (Note 4c)	164	-	-	(164)	-
Total	**64,988**	**3,162**	**(5,220)**	**(47,842)**	**15,088**

Group	Turnover £'000	Other Income £'000	Cost of Sales £'000	Operating expenditure £'000	Operating surplus £'000
	2019				
Social housing lettings (Note 4a)	60,361	-	-	(49,185)	11,176
Other social housing activities					
Supporting people contract income	66	-	-	(7)	59
Other supporting people income	157	-	-	(119)	38
Current asset property sales	7,490	-	(7,132)	-	358
Community investment	-		-	(500)	(500)
Other KHT Services	-		-	-	-
Gain on disposal of housing properties	-	3,309	-	-	3,309
Total from social housing activities	68,074	3,309	(7,132)	(49,811)	14,440
Activities other than social housing					
Lettings (Note 4c)	157	-	-	(157)	-
Total	68,231	3,309	(7,132)	(49,968)	14,440

Notes to the Financial Statements (continued)

3(b). Turnover, cost of sales, operating expenditure and operating surplus

	2020				
Company	**Turnover £'000**	**Other Income £'000**	**Cost of Sales £'000**	**Operating expenditure £'000**	**Operating surplus £'000**
Social housing lettings (Note 4b)	**58,844**	**-**	**-**	**(47,449)**	**11,395**
Other social housing activities					
Supporting people contract income	65	-	-	(5)	60
Other supporting people income	157	-	-	(136)	21
Current asset property sales	4,121	-	(3,845)	-	276
Community investment	-	-	-	-	-
Management Services	123	-	-	(77)	46
Gain on disposal of housing properties	-	3,162	-	-	3,162
Total from social housing activities	**63,310**	**3,162**	**(3,845)**	**(47,667)**	**14,960**
Activities other than social housing					
Lettings (Note 4c)	164	-	-	(164)	-
Total	**63,474**	**3,162**	**(3,845)**	**(47,831)**	**14,960**

	2019				
Company	Turnover £'000	Other Income £'000	Cost of Sales £'000	Operating expenditure £'000	Operating surplus £'000
Social housing lettings (Note 4a)	60,361	-	-	(49,185)	11,176
Other social housing activities					
Supporting people contract income	66	-	-	(6)	60
Other supporting people income	157	-	-	(119)	38
Current asset property sales	4,203	-	(4,022)	-	181
Community investment	-		-	(500)	(500)
Gain on disposal of housing properties	-	3,309	-	-	3,309
Total from social housing activities	64,787	3,309	(4,022)	(49,810)	14,264
Activities other than social housing					
Lettings (Note 4c)	157	-	-	(157)	-
Total	64,944	3,309	(4,022)	(49,967)	14,264

Notes to the Financial Statements (continued)

4(a). Social Housing & lettings

Group	General housing	Supported housing & housing for older people	Total 2020	Total 2019
	£'000	£'000	£'000	£'000
Income				
Rent receivable net of empty homes	52,321	3,091	55,412	56,076
Services charges receivable net of empty homes	1,404	574	1,978	2,498
Amortised government grants	420	-	420	402
Other	1,024	10	1,034	1,385
Turnover from social housing lettings	**55,169**	**3,675**	**58,844**	60,361
Operating expenditure				
Management	(13,099)	(294)	(13,393)	(16,524)
Service charge costs	(1,637)	(505)	(2,142)	(2,632)
Routine maintenance	(15,065)	(793)	(15,858)	(14,855)
Major repairs expenditure	(5,471)	(288)	(5,759)	(5,160)
Bad debts	(354)	-	(354)	(733)
Depreciation of housing properties	(8,341)	-	(8,341)	(8,184)
Other costs	(672)	-	(672)	(847)
Impairment of housing properties	(930)	-	(930)	(250)
Operating expenditure on social housing lettings	**(45,569)**	**(1,880)**	**(47,449)**	(49,185)
Operating surplus on social housing lettings	**9,600**	**1,795**	**11,395**	11,176
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	**938**	**66**	**1,004**	1,093

4(b). Social Housing & lettings

Company	General housing	Supported housing & housing for older people	Total 2020	Total 2019
	£'000	£'000	£'000	£'000
Income				
Rent receivable net of empty homes	52,321	3,091	55,412	56,076
Services charges receivable net of empty homes	1,404	574	1,978	2,498
Amortised government grants	420	-	420	402
Other	1,024	10	1,034	1,385
Turnover from social housing lettings	**55,169**	**3,675**	**58,844**	60,361
Operating expenditure				
Management	(13,099)	(294)	(13,393)	(16,524)
Service charge costs	(1,637)	(505)	(2,142)	(2,632)
Routine maintenance	(15,065)	(793)	(15,858)	(14,855)
Major repairs expenditure	(5,471)	(288)	(5,759)	(5,160)
Bad debts	(354)	-	(354)	(733)
Depreciation of housing properties	(8,341)	-	(8,341)	(8,184)
Other costs	(672)	-	(672)	(847)
Impairment of housing properties	(930)	-	(930)	(250)
Operating expenditure on social housing lettings	**(45,569)**	**(1,880)**	**(47,449)**	(49,185)
Operating surplus on social housing lettings	**9,600**	**1,795**	**11,395**	11,176
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	**938**	**66**	**1,004**	1,093

4(c). Turnover from activities other than social housing

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Garages	**164**	157	**164**	157

Notes to the Financial Statements (continued)

5. Accommodation owned, managed and in development

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

	Group 31.03.19	Additions	Disposals	Other	**31.03.20**
	Units				**Units**
Social housing					
Owned General needs – social rent	11,475	-	(93)	(1)	**11,381**
Owned General needs – affordable rent	840	8	(1)	3	**850**
Owned General needs – intermediate rent	78	-	-	(2)	**76**
Owned – housing for older people	707	-	-	-	**707**
Shared Ownership	146	47	(1)	-	**192**
	13,246	55	(95)	-	**13,206**
Non Social housing					
Market rented	-	-	-	-	**-**
Units Managed					
Managed units general needs	5	-	(5)	-	**-**
Total owned and managed	13,251	55	(100)	-	**13,206**
Of which:					
Held for demolition / redevelopment	236				**316**

Notes to the Financial Statements (continued)

6. Gain on disposal of fixed assets (Group)

	RTB / RTA £'000	Staircasing £'000	Other £'000	Total 2020 £'000	Total 2019 £'000
Proceeds of sales	3,808	33	791	**4,632**	4,563
Carrying value	(1,007)	(5)	(458)	**(1,470)**	(1,244)
Surplus	2,801	28	333	**3,162**	3,319
Recycled capital grants fund (Note 24)	-	-	-	-	(10)
Disposal proceeds funds (Note 25)	-	-	-	-	-
	2,801	28	333	**3,162**	3,309

7. Share of operating surplus in joint venture

In the year to 31st March 2020, Livv Homes Limited has now completed a second contractual joint venture with Seddon RDP Ltd (JV2). This JV had an equal risk and reward structure with both parties and was set up to develop 100 units across two sites (at Mill Lane and Arncliffe Road) with an initial tenure mix of 60 outright sales (sold directly by the JV) and 40 shared ownership units (acquired and marketed by the Livv Housing Group Limited).

In the year to 31st March 2020, The Livv Housing Group Limited acquired a further 18 units from the JV (which were intended for outright sale), and marketed them also as a shared ownership product. As at 31st March 2020, The Livv Housing Group Limited had sold 57 of the 58 shared ownership units developed by the JV, generating turnover of £4.6m.

The JV itself has sold all 60 outright sale units, and this a has generated a turnover of £9.4m, 50% of which has been accounted for within the financial statements for Livv Homes Limited in the years to 31st March 2019 (£3.2m) and 2020 (£1.5m). Participation in the JV has resulted in a dividend of £0.5m for Livv Homes Limited (an 11.0% gross margin). This has been offset by direct expenditure incurred in the form of financing and overhead costs - a pre-tax profit of £41k was reported for the year to 31st March 2019, and additionally a pre-tax profit of £109k has been reported for the year to 31st March 2020. The overall net JV return is at 3.2%.

Notes to the Financial Statements (continued)

8. Interest receivable and other income

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Interest receivable	**119**	92	**138**	229
	119	92	**138**	229

9. Interest and financing costs

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Loans and bank overdrafts	**8,072**	7,881	**8,072**	7,881
Pension interest cost	**53**	(89)	**53**	(89)
	8,125	7,792	**8,125**	7,792

10. Surplus on ordinary activities

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
The operating surplus is stated after charging:-				
Auditors remuneration (excluding VAT):				
Audit of the group financial statements	**29**	25	**27**	22
Fees payable to the company's auditor and its associates for other services to the group:				
Taxation compliance services	**5**	3	**4**	2
Other	**-**	-	**-**	-
Operating lease rentals:				
Land and buildings	**-**	-	**-**	-
Impairment losses of housing properties	**930**	250	**930**	250
Depreciation of housing properties	**8,341**	8,184	**8,341**	8,184
Depreciation of other assets	**200**	210	**200**	210

Notes to the Financial Statements (continued)

11. Tax on Surplus on ordinary activities

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Current tax				
UK corporation tax on surplus for the year	**21**	(8)	-	-
Adjustments in respect of prior years	**(7)**	-	-	-
	14	(8)	-	-
Deferred tax				
Origination and reversal of timing differences	-	-	-	-
Adjustment in respect of prior periods	-	-	-	-
	-	-	-	-

The tax assessed in the year is lower than the standard rate of corporation tax in the United Kingdom at 19% (2019: 19%). The differences are explained as follows:

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Surplus on ordinary activities before tax	**7,763**	3,310	**7,654**	3,270
Theoretical tax at UK corporation tax rate 19% (2019: 19%)	**1,475**	629	**1,454**	621
Surplus/(Deficit) in relation to charitable activity	-	-	-	-
Income not taxable for tax purposes	**(1,454)**	(621)	**(1,454)**	(621)
Depreciation in excess of capital allowances	-	-	-	-
Tax adjustments to tax charge in respect of prior periods	**(7)**	-	-	-
	14	8	-	-

Notes to the Financial Statements (continued)

12. Key management personnel and directors' remuneration

All of the Executive Directors of Knowsley Housing Trust, KHT Services and KHTS Development, including the Chief Executive are paid from First Ark Limited which is the Ultimate Parent Undertaking.

The Chief Executive's remuneration for the year, including pension contributions, was £204,000 (2019: £135,000).

The outgoing Group Chief Executive (Robert Taylor) resigned from this post with effect from 31/12/2018. Ian Munro was appointed as an Interim Chief Executive from 18/06/2018 until Léann Hearne was appointed as Group Chief Executive on the 24/10/2018.

The aggregate remuneration for key management personnel charged in the year is:

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Basic salary	-	208	-	208
Pension contributions	-	8	-	8
	-	216	-	216

The chief executive remuneration is included in First Ark Limited's (parent), key management personnel note.

The aggregate emoluments paid to or receivable by executive and non-executive Board Members in the year is:

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Basic salary	-	53	-	53

In detail:

	2020	2019
	£	£
Helen White	-	13,633
Ian Foy	-	4,288
Nicholas Gerrard	-	4,240
Susan Giles	-	4,240
Paul Deehan	-	4,240
Lee Sugden	-	2,827
David Procter	-	2,827
Craig Garner	-	2,827
Joanna Embling	-	3,000
John Spencer *	-	3,000
Philip Summers *	-	8,000
	-	53,122

Livv Housing Group Board Members shown on page 1 were all paid by First Ark Limited in the year.

There were expenses paid to Board members in the year of £Nil (2019: £5.3k).

13. Employee information

The average number of persons including Executive Directors employed during the year expressed in full time equivalents (35 hours per week) was:

	Group		Company	
	2020	2019	**2020**	2019
	No.	No.	**No.**	No.
Customer and communities	**89**	91	**89**	91
Asset management	**27**	21	**27**	21
	116	112	**116**	112

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Staff costs				
Wages and salaries	**3,392**	3,296	**3,392**	3,296
Redundancy costs	-	-	-	-
Social Security costs	**318**	301	**318**	301
Other pension costs – defined contribution or defined benefit	**151**	123	**151**	123
	3,861	3,720	**3,861**	3,720

Notes to the Financial Statements (continued)

The full-time equivalent number of staff who received remuneration exceeding £60,000 in the year:

	Group		Company	
	No.	No.	**No.**	No.
£60,000 - £70,000	**4**	2	**4**	2
£70,000 - £80,000	**-**	1	**-**	1
£80,000 - £90,000	**2**	-	**2**	-
£90,000 - £100,000	**1**		**1**	
	7	3	**7**	3

The Group Chief Executive is paid by First Ark Limited and is eligible to join the First Ark Group's defined contribution scheme on the same terms as all other employees. The Group does not make any further contribution to an individual pension arrangement for the Group Chief Executive.

14(a). Pension obligations

The Merseyside Pension Fund (Group and Company)

The Merseyside Pension Fund (MPF) is a multi-employer scheme with more than one participating employer, which is administered by Wirral Metropolitan Borough Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.

Knowsley Housing Trust terminated its participation in the Fund on the 31st December 2015, and the result of the termination is final assets and funded benefit obligations of zero.

There is still a liability in respect of unfunded benefits, and this is included in the Pension liability figures, although this will now be dealt with directly by Knowsley Housing Trust independently of the Fund. There is a provision under Section 21 of FRS102 for the unfunded benefit to certain employees.

Notes to the Financial Statements (continued)

	2020 £'000	2019 £'000
Analysis of pension finance income / (costs)		
Expected return on pension scheme assets	-	-
Interest on pension scheme liabilities	(53)	(58)
Amounts charged to financing costs	(53)	(58)
Amount of gains and losses recognised in the Statement of Comprehensive Income:		
Actuarial Gain/(loss) on pension scheme	146	(101)
Actuarial (loss)/gain recognised	146	(101)

Asset and Liability Reconciliation	2020 £'000	2019 £'000
Reconciliation of liabilities		
Liabilities at start of year	(2,286)	(2,265)
Interest cost	(53)	(58)
Actuarial gain/(loss)	146	(101)
Benefits paid	153	138
Liabilities at end of year	(2,040)	(2,286)
Reconciliation of assets	£'000	£'000
Assets at start of year		
Administration expenses	-	-
Employer contributions	153	138
Employee contributions	-	-
Benefits paid	(153)	(138)
Assets at end of year	-	-

Notes to the Financial Statements (continued)

15. Housing Properties – Group & Company

	Social housing properties completed	Social housing properties under construction	Shared ownership completed	Shared ownership under construction	Total housing properties
	£'000	£'000	£'000	£'000	£'000
Cost					
At start of the year	320,529	3,148	9,623	316	**333,616**
Works to existing properties	4,594	187	-	-	**4,781**
Additions	814	7,527	3,946	(551)	**11,736**
Schemes completed	(7)	7	(77)	77	**-**
Reclassification	-	(1,132)	-	1,132	**-**
Disposals	(3,603)	-	(6)	-	**(3,609)**
Transfers to/from assets held for sale	-	-	-	-	**-**
At the end of the year	**322,327**	**9,737**	**13,486**	**974**	**346,524**
Depreciation					
At start of the year	(99,561)	-	(394)	-	**(99,955)**
Charge for the year	(8,225)	-	(116)	-	**(8,341)**
Impairment losses	(930)	-	-	-	**(930)**
Disposals	1,936	-	-	-	**1,936**
At the end of the year	**(106,780)**	**-**	**(510)**	**-**	**(107,290)**
Net book value at the end of the year	**215,547**	**9,737**	**12,976**	**974**	**239,234**
Net book value at the start of the year	**220,968**	**3,148**	**9,229**	**316**	**233,661**

The impairment provision at 31st March 2020 is £4,402k (2019: £3,472k). In addition to incorporating a provision for longer term voids, 316 properties have now been decommissioned and await demolition.

The value of the two remaining North Huyton New Deal for Communities (NDC) plots (phases 2b and 5) is recorded at £742k. In the year, land relating to phase 4 was sold, releasing and moving a net book value of £457k to the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

16. Other property, plant & equipment

	Offices	Furniture fixtures and fittings	Computers and office equipment	Plant and machinery	Total other property, plant & equipment
	£'000	£'000	£'000	£'000	£'000
Cost					
At start of the year	3,550	905	3,967	105	8,527
Additions	-	3	6	-	9
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
At the end of the year	3,550	908	3,973	105	8,536
Depreciation					
At start of the year	(2,321)	(435)	(3,912)	(105)	(6,773)
Charge for the year	(168)	(7)	(25)	-	(200)
Disposals	-	(2)	(16)	-	(18)
Reclassifications	-	-	-	-	-
At the end of the year	(2,489)	(444)	(3,953)	(105)	(6,991)
Net book value at the end of the year	1,061	464	20	-	1,545
Net book value at the start of the year	1,229	470	55	-	1,754

Notes to the Financial Statements (continued)

17. Tangible assets

Housing properties net book value and offices net book value comprises:

Expenditure on works to existing properties:

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Amounts capitalised	**4,781**	5,012	**4,781**	5,012
Amounts charged to income and expenditure account	**5,759**	5,160	**5,759**	5,160
	10,540	10,172	**10,540**	10,172

18. Fixed asset investments

Group Companies

The group comprises the following entities, all registered in England:

Name	Incorporation and Ownership	Regulated / Non-regulated	Nature of Business
KHT Services Limited	Company - 100%	Non-regulated	Combines facilities support activities
KHT Development Limited (Dormant)	Company - 100%	Non-regulated	Combines facilities support activities

The authorised Share Capital of 1 Ordinary £1 share has been allotted for each company, called up and fully paid and owned by Knowsley Housing Trust, who is the ultimate parent undertaking.

19. Properties held for sale

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Completed properties	**3,531**	3,909	**3,531**	2,426
Properties held for outright sale	-	-	-	-
Land held for outright sale	-	-	-	-
	3,531	3,909	**3,531**	2,426

Notes to the Financial Statements (continued)

20. Trade and other debtors

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Rent arrears	**4,093**	5,068	**4,093**	5,068
Less: Provision for bad debts	**(3,851)**	(4,114)	**(3,851)**	(4,114)
Amounts owed by group undertakings	**569**	246	**569**	1,814
Other debtors	**582**	223	**583**	5
Prepayment and accrued income	**1,489**	1,152	**1,428**	1,152
Corporation tax	-	-	-	-
Debtors due within one year	**2,882**	2,575	**2,822**	3,925
Debtors due more than one year	**515**	515	**515**	515
	3,397	3,090	**3,337**	4,440

The figures included in Amounts owed by group undertakings refer to Livv Housing Group's relationship with other members of the First Ark Group. Intercompany balances within Livv Housing Group (i.e. between Livv Housing and KHTS) are eliminated at the Livv Housing Group level.

2019 Amounts owed by group undertakings have been restated to show the balances with individual members of the First Ark Group (as opposed to the aggregate position of all members), which in some cases will be shown as Amounts owed to group undertakings within Creditors less than 1 year.

Debtors due more than one year relate to public benefit entity concessionary loans issued to customers by way of a deposit for a new home following a compulsory buy-out arrangement. The loans are secured against the new properties purchased and are therefore only recoverable once title is exchanged.

21. Cash and cash equivalents

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Cash at bank	**28,338**	20,976	**28,165**	20,927

Notes to the Financial Statements (continued)

22(a). Creditors: amounts falling due within one year

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Trade creditors	**410**	791	**410**	791
Rents and service charges received in advance	**1,315**	1,135	**1,315**	1,135
Other creditors	**20**	188	**19**	187
Loans due for repayment in less than one year (22c)	**-**	-	**-**	-
Grants received in advance	**6**	6	**6**	6
Accruals and deferred income	**3,174**	3,078	**3,174**	3,048
Deferred capital grant (note 23)	**420**	385	**420**	385
Amounts owed to group undertakings	**1,577**	1,676	**1,577**	1,649
Corporation Tax	**21**	8	**-**	-
	6,943	7,267	**6,921**	7,201

22(b). Creditors: amounts falling due after more than one year

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Loans (Note 22c)	**186,473**	187,154	**186,473**	187,154
Finance costs	**(553)**	(620)	**(553)**	(620)
Deferred capital grant (Note 23)	**39,636**	33,783	**39,636**	33,783
Recycled capital grant fund (Note 24)	**10**	10	**10**	10
Disposal proceeds fund (Note 25)	**-**	10	**-**	10
Leaseholder Sinking Funds	**16**	-	**16**	-
Reserve Funds	**85**	-	**85**	-
	225,667	220,337	**225,667**	220,337

22(c). Debt analysis

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Loans repayable:				
Within one year	**-**	-	**-**	-
In one year or more but less than two years	**-**	-	**-**	-
In two years or more and less than five years	**-**	-	**-**	-
In five years or more	**186,473**	187,154	**186,473**	187,154
Less: loan issue costs	**(553)**	(620)	**(553)**	(620)
Total loans	**185,920**	186,534	**185,920**	186,534

Notes to the Financial Statements (continued)

The bank loans are secured by a floating charge on allocated housing properties.

The facility is made up of £90m from the issue of a Private Placement Bond and £85m in bank funding.

The Private Placement Bond is revalued annually, with the fair value of the Bond increasing to £101.5m (£102.1m 2019).

The long-term loans totalling £165m are at fixed rates of interest ranging from 3.57% to 7.16% and fall to be repaid between 2025 and 2040.

KHT has £20m available in the form of a rolling credit facility, of which £Nil was drawn at 31st March 2020 (£Nil 2019).

The interest rate profile of the Group at 31 March 2020 was:

	Total	Variable Rate	Fixed rate	Average rate of interest
	£'000	£'000	£'000	%
Loans	186,473	9,569	176,904	4.54
	186,473	9,569	176,904	4.54

At 31st March 2020 the Group has the following borrowing facilities:	
	£'000
Undrawn committed facilities	-
Undrawn facilities	20,000
	20,000

The total loans £175m, exclude the mark to market valuation of KHT's private placement loan (£11.47 m) and finance costs payable (£0.553m). The additional £11.47m represents the liability to lenders that would crystallise in the event of First Ark Group choosing to exercise an early redemption of the loan.

It is a theoretical revaluation that reflects the increased market value of this debt to the lenders, when compared with the interest rates that could currently be achieved when issuing this level of debt over the long term. This adjustment does not impact the total amount repayable by the Group if the loan runs to the original term.

It would only need to be paid in the event of a financial covenant breach, which caused the loan to be called in, or a First Ark Group decision to refinance the loan in advance of the full term. This adjustment has been made in accordance with FRS 102 accounting requirements. The Group borrowing covenants are measured under UK GAAP i.e. actual values, not fair market values; the covenants are not impacted by this adjustment.

Notes to the Financial Statements (continued)

22(d). Analysis of net debt

	Group				Company			
	At 1st April 2019 £'000	Cashflows £'000	Non-Cash Movement £'000	At 31st March 2020 £'000	At 1st April 2019 £'000	Cashflows £'000	Non-Cash Movement £'000	At 31st March 2020 £'000
Cash and Investments	20,976	7,362	-	28,338	20,927	7,238	-	28,165
Inter-company loan*	-	-	-	-	(1,372)	1,372	-	-
Debt due after five years	(186,534)	-	614	(185,920)	(186,534)	-	614	(185,920)
Net movement	**(165,558)**	**7,362**	**614**	**(157,582)**	**(166,979)**	**8,610**	**614**	**(157,755)**

An Inter-company loan is in place between KHT and KHT Services Ltd. This is reflected as a debtor within the KHT financial statements (see note 20).

Notes to the Financial Statements (continued)

23. Deferred capital grant

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
At start of the year	**34,168**	31,920	**34,168**	31,920
Grant received in the year	**6,308**	2,650	**6,308**	2,650
Disposals	**-**	-	**-**	-
Released to income in the year	**(420)**	(402)	**(420)**	(402)
	40,056	34,168	**40,056**	34,168

	£'000	£'000	**£'000**	£'000
Amount due to be released < 1 year	**420**	385	**420**	385
Amount due to be released > 1 year	**39,636**	33,783	**39,630**	33,783
	40,056	34,168	**40,056**	34,168

24. Recycled capital grant fund

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
At start of the year	**10**	-	**10**	-
Grant received in the year	**-**	10	**-**	10
	10	10	**10**	10

Withdrawals from the capital grants fund are used for the purchase and development of new housing schemes for letting and for approved works to existing properties.

Notes to the Financial Statements (continued)

25. Disposal proceeds fund

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
At start of the year	**10**	544	**10**	544
Inputs to DPF - Funds recycled	**-**	-	**-**	-
Use/allocation of funds - New build	**(10)**	(534)	**(10)**	(534)
	-	10	**-**	10

Withdrawals from the disposal proceeds fund were used for approved works to new build housing properties.

26. Capital commitments

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Expenditure contracted for but not provided in the accounts	**14,900**	1,422	**14,900**	1,422
Expenditure authorised by the Board but not contracted for	**22,003**	3,248	**22,003**	3,248
	36,903	4,670	**36,903**	4,670

These commitments will be financed primarily through on-going operations, borrowings which are available for drawn down under existing loan arrangements and social housing grant.

27. Operating leases

There are no operating leases (2019: £nil)

28. Contingent liability

There are no contingent liabilities (2019: £nil)

Notes to the Financial Statements (continued)

29. Grant and financial assistance

The total accumulated government grant and financial assistance received or receivable at 31st March:

	2019 £'000	2019 £'000
Held as deferred capital grant	**40,056**	34,168
Recognised as income in statement of Comprehensive income	**420**	402
	40,476	34,570

30. Related parties

First Ark Limited was the Parent and ultimate controlling party of Knowsley Housing Trust to 31 March 2020. However, Livv Housing Group (formerly Knowsley Housing Trust) became the Ultimate Parent Undertaking of the Group from 1 April 2020.

The Company maintains a register of interests of Board members. This register is available for inspection at the Company's Head Office.

The company has taken advantage of exemptions conferred by Financial Reporting Standard 102 from disclosing transactions with fellow wholly owned group undertakings consolidated in the accounts of the First Ark Group.

31. Financial instruments

The Group's financial instruments may be analysed as follows:

	2020 £'000	2019 £'000
Financial assets that are debt instruments measured at amortised cost	**29,490**	22,549
Financial liabilities measured at amortised cost	**88,051**	88,443
Financial liabilities measured at fair value through profit or loss	**101,472**	102,153

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, other debtors, and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors, accruals and other creditors.

Notes to the Financial Statements (continued)

Financial liabilities measured at fair value through profit and loss

Financial liabilities measured at fair value through profit and loss comprise a bond under private placement. The financial liability has been accounted for as a non-basic financial instrument in accordance with the requirements of Section 12 of FRS 102. The fair value of the financial liability as at 31 March 2020 has been based on an equivalent instrument using gilt rates at the balance sheet date plus an appropriate premium.

Movements in the carrying amount of the financial liability are presented below:

	2019	2019
	£'000	£'000
Carrying amount brought forward	**102,153**	98,723
Change in fair values:		
Other market factors	**(681)**	3,430
Carrying amount carried forward	**101,472**	102,153

The cumulative changes since inception of the instrument due to changes in credit risk are £nil (2019: £nil).

The total undiscounted amount repayable at maturity in respect of the loan is £90m, equivalent to a difference between the carrying amount and the amount repayable of £11.47m.

32. Post balance sheet events

During the year the First Ark Group undertook a review of its governance structure and reduced the number of companies resulting in a more streamlined structure that supported the strategic aims of the organisation more effectively. The following changes were made to deliver the new structure:

- The Group parent company, First Ark Limited, was registered as a charitable Co-operative and Community Benefit Society with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 (Registration number 008298) on 15 January 2020. This enabled the transfer of all assets and liabilities to Knowsley Housing Trust under a Transfer of Engagement. This transfer completed on 1 April 2020.
- All the assets and liabilities of One Ark Limited were transferred to Knowsley Housing Trust under a Business Transfer Agreement on 1 April 2020.

These changes resulted in Knowsley Housing Trust becoming the Ultimate Parent Undertaking of the Group from 1 April 2020. The legal entities of First Ark Limited and One Ark Limited will be fully removed from the structure through dissolution and strike off during 2020/21. The process to strike off KHTS Development Limited is ongoing.