

Empowering People Inspiring Communities Limited

Financial Statements (Pages 25 - 30)
For The Year Ended 31 March 2020



Regulator of Social Housing Registration No.	L4167
Company No.	3333405
Charity No.	1118644

Empowering People Inspiring Communities Limited

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CHAIRMAN'S FOREWORD

The past year has been one of continuity and change for EPIC. I would firstly like to thank our outgoing chair, John Gething, for his commitment and dedication over the last nine years. During his chairmanship EPIC grew from strength to strength, improving our services, enhancing the quality of our housing stock and providing more homes for rent throughout North Staffordshire.

Over the year we continued our successful partnership with Homes England and Stoke-on-Trent City Council who have provided grant funding to support our growth programme. In 2019/20 we received £1,321,601 in grant which was used to help us acquire and refurbish 41 houses, with 30 of these in Stoke-on-Trent, 4 homes in Newcastle-under-Lyme and 7 homes in the Staffordshire Moorlands area. Although nationally the focus continues to be upon building new homes, EPIC's acquisition programme supports all three local authorities that we work with to address the significant problems they each experience with empty homes and existing properties which do not meet current standards. Our contractors are all local and this helps create and sustain employment in North Staffordshire.

We are particularly proud of our success in bidding for resources for Rent2Buy funding which is enabling us to acquire up to 172 homes (excluding right to acquire replacements) over the 2020-25 Business Plan period, helping families access lower rents and achieve their dreams of owner occupation. Our track record of delivery has helped us achieve a higher per unit grant rate which is helping us to tackle properties in need of major refurbishment works and provide homes in the adjoining area of Staffordshire Moorlands where affordability problems are particularly acute.

The majority of the funding for this expanded programme has come from the Triodos loan facility which we secured in June 2017 and we are now using this resource to help us finance our ambitious programme. In order to help sustain the growth programme over the next four years we extended the existing loan facility from £5m to £14m. This still represents a low level of debt per unit and helps us to make the best use of our assets.

Of course growth is only part of the story and our tenants value the quality of their homes and the services we provide the most. Once again we either met or exceeded our targets here, despite delivering a one per cent rent cut for our existing tenants. Our rate of rent collection decreased marginally, collecting 98.49% compared to 99.82% in the previous year and was in line with our pre-established target of 99%, +/- 2% tolerance; our loss from void dwellings decreased to 0.56% compared to 0.58% in the previous year, and was in line with our pre-established target of 0.60%, +/- 10% tolerance; and our tenancy turnover rate increased to 9.04%, compared to 8.52% in the year before. In relation to repairs and maintenance, we finished the year with 100% of our properties where access was granted with valid gas certificates, (99.92% inclusive of where access was denied); the appropriate legal process has been initiated where access has been denied. Unfortunately, the amount of time it took to re-let empty homes remained at 24 days, mainly due to the condition and age of the properties handed back to us.

Our standards of governance and viability have continued to meet or exceed regulatory standards and we attracted two new members to our Board who have helped boost our pool of expertise and ensure that the Board provides our stakeholders with clear direction and scrutiny.

As well as delivering day-to-day services and managing an ambitious growth programme, we continually strive to improve services and make the best use of information technologies and ensure that our staff are properly trained and continuously developing. During the year we invested in staff studying for externally accredited qualifications and our Chief Executive was awarded his doctorate from the University of Manchester and other staff achieved success in a range of accredited qualifications. We also successfully recruited to the new position of Operations Director and Trainee Housing Officer. Our staff turnover and sickness also remain very low, despite the start of the Coronavirus pandemic in March 2020. In all respects the year was one of great success and our handling of the Coronavirus related lockdown demonstrated the resilience and adeptness of the organisation. The years ahead will be challenging for our residents and EPIC remains committed to our communities and will support them in every way it can.

Stephen Funnell
Chair

LEGAL AND ADMINISTRATIVE DETAILS**Board Members**

Name	Capacity	Date Joined	Date Resigned
Stephen Funnell	Independent	05/04/2017	N/A
Darshan Matharoo	Vice Chair / Independent	14/09/2016	N/A
Alex Fury	Independent	14/09/2012	N/A
Andrew Stone	Independent	02/06/2016	N/A
Peter Lunio	Independent	13/09/2017	N/A
Peter Turner	Co-optee	13/09/2017	*
Victoria Robb	Independent	04/09/2018	N/A
Lisa Dulson	Independent	10/09/2019	
Robert Kent	Co-optee	11/03/2020	
Rev Nicholas Leggett	Co-optee	11/03/2020	
John Gething	Chair / Independent	15/09/2010	10/09/2019
Dawn Harries	Independent	13/09/2017	23/10/2019
Kirsty Holmes	Tenant Member	04/06/2014	13/02/2020
Andrew Milroy	Local Authority Member	30/10/2018	31/03/2020

* Stepped down 18/9/2018 and re-appointed as co-optee 27/11/2019

We are currently recruiting and inducting the new Local Authority and Tenant Members.

Key Management Personnel

Name	Capacity
Len Gibbs	Chief Executive
Rachael Fullwood	Finance Director
Jeff Plant	Operations Director
Hadrian Noble	Asset Manager
Geoff Symcox	Systems Manager
Peter Shackley	Compliance Manager

Registered Office

131-141 Ubberley Road, Bentilee, Stoke on Trent, Staffordshire, ST2 0EF

Auditor

Beever and Struthers
St. George's House
215-219 Chester Road
Manchester
M15 4JE

Bankers/Funders

The Co-operative Bank plc
Birmingham Commercial Banking Centre
1st Floor
118-120 Colmore Row
Birmingham
B3 3BA

Funders

Triodos Bank
Deanery Road
Bristol
BS1 5AS

BOARD REPORT FOR THE YEAR ENDED 31 MARCH 2020**Strategic Report****Nature of the Business**

Empowering People Inspiring Communities (EPIC) is a registered charity which provides good quality housing for people on low incomes. We are also registered with Homes England and the Regulator of Social Housing (RSH) as a provider of social housing. We are located in the Bentilee area of Stoke-on-Trent and own 920 flats, 291 houses and bungalows and 20 leasehold properties.

Our presence in Bentilee has made it a much more stable community. We have achieved this through careful allocations and strong housing management. At a household level, the provision of good quality, affordable rented housing enables people to build upon a platform of security. We are also committed to ensuring that our housing stock is maintained to a high standard through a combination of responsive and planned repairs and maintenance. During the 2020/25 Business planning period we plan to extend the range of good quality housing choices available for people on below average incomes and deliver an intelligent housing service which creates value for the household and the wider community.

Operations Review

The key objectives of our housing service are to:

- a) Delivering Excellent and Innovative Customer Services.
- b) Effectively Managing our Assets.
- c) Delivering Growth.
- d) Becoming a Digital Business.
- e) To be efficient and deliver value for money.
- f) Embedding our Values and Performance Management.

Delivering Excellent and Innovative Customer Services

We place a strong emphasis on quality customer service and a fair but firm approach to housing management. Our 2019/20 STAR survey received 426 responses, compared to 154 for the previous year. Our overall satisfaction was 88% when using the HouseMark definition of satisfied. Areas of particular satisfaction were the perceived view of the neighbourhood as a place to live, and value for money.

We have experienced steady demand for our homes. The number of properties becoming empty increased slightly to 114, from 100 in 2018/19, although 2018/19 represented our all time low turnover. Our turnover is broadly in line with the national average; and below average when accounting for the fact c.75% of our properties are flats which typically host shorter average tenancy lengths.

Our Rent2Buy scheme continued to go from strength-to-strength, with 76 properties within our total stock being let under the scheme. At year-end we had a total of 98 applicants 'live' on the Rent2Buy Waiting List. We are unique in being the only Registered Provider in North Staffordshire to offer Rent2Buy as a route into homeownership.

The average relet period for all voids increased from 20 days to 24 days in the year as a higher proportion of properties needed major works to achieve the Lettable Standard. We have made changes to our Lettable Standard with a new emphasis on increased quality.

Delivering Growth

Our acquisition programme commenced in 2008, and to date we have acquired 297 properties. Our programme will be funded through a mix of surpluses generated from our operational activity and loan finance. The gross investment over the period and including our future programme is over £40 million, comprising of £23 million investment funded from our generated surpluses and a £14 million loan facility from Triodos Bank plus an additional £10.5 million of grant funding from Homes England and local authorities. The programme has largely targeted empty properties, helping to alleviate blight in many neighbourhoods within Stoke, Newcastle-under-Lyme and more recently in Staffordshire Moorlands. Bringing empty properties back into use is environmentally friendly, helping to restore confidence in neighbourhoods, enabling us to extend our stock portfolio, thus safeguarding customer retention by diversifying our housing options. We

Strategic Report (continued)

work closely with the empty property teams in Stoke, Staffordshire Moorlands and Newcastle and have developed excellent relationships with local estate agents. We are very selective about what we buy and use our market intelligence and key local data to ensure we invest in properties and areas with long term futures. Our yield model also ensures that we pay no more than we should for properties and can monitor their financial performance over the long term.

In 2019/20 we acquired 41 properties, this fell below target of 44 with the end of the year in part curtailed by the Covid-19 crisis. At the time of restrictions being imposed we had 7 properties pending completion which meant target would have been achieved.

We have faced challenges in the last twelve months in sourcing suitable properties due to above-average inflation in the housing sector, largely driven in Stoke-on-Trent by investment purchases. This meant that we at times struggled to source properties within the agreed cost envelopes. Nonetheless we have acquired a further 29 properties to grow our Rent2Buy offer, replaced one property sold under Right to Acquire and another 11 houses, purchased with grant-funding from Stoke-on-Trent City Council, have also been let for general needs renting. Our growth in 2019/20 was also curtailed by the fact that Homes England recalled our Rent to Buy Round 1 grant (£1.525m). Whilst this was disappointing and reduced our programme by 61 units, realistically there were significant issues in sourcing and refurbishing a quality product at such low grant levels. We have held ongoing discussions with Homes England throughout the year regarding the necessity to raise grant levels.

The following graphs indicate the size of the achievement and investment made, in conjunction with details of our future investment strategy. Before 2017/18 we achieved our growth programme without taking on any debt and we have a £14 million loan facility to fund the programme to 2022. The programme also delivers additional revenue through rental income that can be used to service our loan finance and invested in our stock to ensure it remains in good condition. By 2022 the cumulative impact of the next 4 years growth programme should see over £1.2 million in additional rental income. In general, houses have proven to be much easier to manage than flats - additionally; they turn over at around one third the annual rate of flats.

Effectively Managing our Assets

The previous year has seen us revisit our approach to asset management and revise our asset strategy. The Asset Management Strategy sets out the key objectives for the service;

- Enhance our property offer.
- Maintain our property safety.
- Modernise our service.
- Deliver excellent customer service.
- Evolve into a data led service.

Strategic Report (continued)

The following table illustrates the performance for the year end 31st March 2020 against internal targets

Key objective	Performance Measures	2019/20 Target	2018/19 Actual	2019/20 Actual
Ensure that our stock is desirable to tenants	<ul style="list-style-type: none"> Satisfaction with their new home Length of tenancy (void properties) Property refusals (after viewing) Complaints with the Asset services 	80% N/A 6% n/a	95% 5.2 years 7% 5	100% 5.0 years 7% 12
Ensure our stock meets all legal and regulatory requirements	<ul style="list-style-type: none"> Properties with an in date gas certificate where access has been provided Percentage of properties with an electrical certificate dated within 5 years 	100%** 66%	100%** 66%	100%** 89%
Deliver an excellent maintenance and repair service	<ul style="list-style-type: none"> Average relet time for all voids requiring major works Average relet time for voids requiring minor works Number of kitchens renewed, new programme in 2018/19 Satisfaction with the repairs and maintenance service 	26 days 10 days 128 N/A	33 days 16 days 84 92%	29 days 20 days 88 88%
Modernise service delivery to make maximum use of information technologies	<ul style="list-style-type: none"> % of repairs ordered directly to the repairs contractor by customers through the online tenant portal 	50% by 2021	None	None
Achieve value for money	<ul style="list-style-type: none"> A yield model has been adopted to determine the viability of house purchases. The target is for a minimum yield of 5% Rental lost through void properties 	5% 0.65%	6.3% 0.58%	6.4% TBC
To minimise our negative environmental impacts	<ul style="list-style-type: none"> % of 'A' rated boilers in properties 	N/A	91%	93%
Deliver the growth programme	To acquire properties funded by: <ul style="list-style-type: none"> Stoke-on-Trent Homes England Right To Acquire replacement 	11 50	11 41	11 29 1

** 100% of our properties where access was granted with valid gas certificates, (99.65% inclusive of where access has been denied, compared to 99.64 in the year before); the appropriate legal process has been initiated where access has been denied.

We currently outsource all of our maintenance work. All our work is placed with locally-based contractors, who in turn employ and train local people. We are currently undertaking a major procurement exercise to implement new contractual arrangements for our responsive, void and cyclical maintenance. We have deferred our refurbishment of our 6 blocks until 2021/22 as a consequence of Covid-19, but nonetheless have committed in excess of £260,000 to enhancing our offering.

The stock condition survey continued during 2019/20 and a total of 72% properties have now been surveyed. The strategic objective of the survey was to provide independently-sourced data which:

- Gathered property component information to help improve existing records and assist in future maintenance planning.
- Identified any items which are a hazard using the Housing Health and Safety Rating System (HHSRS).
- Assisted in generating a forecasted maintenance cost schedule over a 30 year term.

Strategic Report (continued)

- Provided assurance to external bodies on the condition of the properties and demonstrates that there is adequate financial provision for planned maintenance and improvement works to maintain the housing stock in a reasonable and lettable condition.

The final report concluded that:

- The stock is considered to be in reasonable condition.
- The focus for the next 3 years should be on the renewal of boilers and kitchens.
- A review of the life cycles of components indicates that with the exception of bathrooms and the main structure, they are achieving or exceeding those used in our forecasting and planning.
- There were 44 hazards identified and a remedial action plan created: one of the items was a 'Category 1' and therefore serious in nature and was made safe the same day.

We recognise the importance of health and safety, maintaining properties and the need to consider how tenants live their lives today. We have no outstanding fire risk assessment actions, and our next formal fire risk assessment is due in Autumn 2020. We undertake monthly inspections of the communal areas, and have developed a new Fire Safety Policy in conjunction with Staffordshire Fire and Rescue Service.

We have completed the final year of a three year programme to test all the electrical systems; one property has been identified as in need of renewal. We have committed to moving to the Electro-technical Standards for Social Housing 2019.

We maintain an asbestos register and 60% of the property stock have a report available immediately for contractors and customers. Contractors are trained in asbestos awareness and where major works are required a report is either issued or ordered, if one is unavailable, before the start of works.

We have no properties that have lift servicing requirements or communal water systems that require cyclical maintenance.

Becoming a Digital Business

The implementation of Phase 1 of the CX Housing and Civica Financials systems has experienced some delays; but we have now made some positive progress. We have now implemented CRM, have confirmed the design of the rent and arrears module, designed the ASB process and 'cases and tasks'. We have also begun the upload process of the asset data which will make managing our stock more effective. The new CX Housing system will record each stage of the process to enable the workflow to be assessed and identify where improvements can be implemented.

We are currently progressing the implementation of the Planned and Service module which forms a part of phase 2 of the CX Housing system and is due to be completed in Q2 of 2020/21. This module provides clarity on compliance and enables effective property data management to aid planning and analysis. This will significantly modernise the delivery of the service; reducing duplication and operating costs by enabling customers to report repairs and contractors to raise works orders directly on to the system. During the transition period to the new housing system, we are aware that the reporting of a number of asset performance indicators has been affected; and where possible temporary workarounds have been implemented.

We are placing considerable emphasis on data quality and are currently uploading and updating our asset and customer data. This will allow us to model more effectively our assets performance and engage in a more structured and targeted manner with customers. As mentioned above, we are also developing 'cases and tasks' within the system, a key feature which allows us to track and monitor workloads.

We have enhanced our digital offer to customer via opening up our use of social media channels and we will shortly begin work to implement our tenant portal as part of our Civica CX project.

To be Efficient and Deliver Value for Money

Whilst our rent arrears performance for current tenants has remained steady this year, the number of Universal Credit claimants and proportion of arrears relating to these has increased significantly; with Universal Credit arrears being 55% of total arrears. At year-end we had on

Strategic Report (continued)

record 262 claimants compared to only 22 in June 2018. The roll out of Universal Credit presents many challenges and we work closely with customers and key agencies in managing this. Our end of year performance for current tenant arrears was 1.52%. Whilst this was slightly above the target of 1.5%, nonetheless set against the context on the emerging Covid-19 crisis, and a surge of Universal Credit claims, this remains a positive result. Positively around half of our UC claimants have a credit balance on their rent account, demonstrating that with the correct guidance and intervention, UC can be a sustainable mechanism for rent payment.

To Embed Performance Management

We regularly report on a full suite of key performance indicators, which are published to Board, their respective Committees and other key stakeholders.

We are members of a regional benchmarking group and we regularly measure our performance against our peers.

Governance and Management

EPIC is governed by a Board of Management who provides their time and commitment to us on a voluntary basis. The Board comprises of an independent Chair, six independent members and three co-opted members. We are in the process of recruiting and inducting a new local authority representative and a new tenant Board Member. Board expertise is supplemented by co-optees where appropriate. The Board has the wide range of skills and experience necessary for governing an organisation of our size and structure. Our customer voice is heard through our Operations Committee whose purpose is to ensure that the services we provide are customer focussed, achieve excellent standards of performance and to provide us with appropriate challenges where things are not as good as they should be. Members of the Board are required to act in an open and accountable way in relation to the residents, local communities, local authorities, employees and other interested parties.

Constitution and Composition of the Board

The Board has ultimate responsibility for the governance of the Company. The Board's central role is to direct an organisation's work, that is to determine strategic direction and policies. The Board agrees policies and make decisions on all matters that might create significant financial or other risk to the Company; or which raise material issues of principle. Management, that is the implementation of Board policies, is delegated to the paid staff.

Board Recruitment, Review and Renewal

The Boards ensures their continuing effectiveness by reviewing its skills on a regular basis and ensures a succession plan is in place to replace any key skills where necessary.

Following our most recent appraisal of the Board in 2017; we have the following skills and knowledge on our current Board:

- Business planning
- Legal
- Strategic Planning
- Good governance
- Residents Needs and Concerns
- Community Development
- Planning and Regeneration Policy
- Equality and Diversity
- Human resources
- Asset Management
- ICT and Systems
- PR and Marketing
- Research and Critical Analysis

We identified the following skills and knowledge gaps. Any recruitment undertaken over the coming years will focus on these skills:

- Finance Management
- Audit
- Risk Management
- Treasury Management
- Maintenance and Repairs

Strategic Report (continued)

The two Co-optee appointments of 11 March 2020 have addressed a number of the identified skills and knowledge gaps; and we will continue to focus on strengthening and developing these areas.

EPIC have an aspiration to have a positive mix of both male and female board members and an ethnic mix reflective of the local area.

The Board reviews its performance on a biennial basis, with each Board member undertaking a structured appraisal process during the year. Recruitment to Board vacancies is open and transparent and based on the Board's considered view of the skills and attributes required to discharge its functions. The Board appoints new members objectively on merit. All new members receive induction training and there are effective arrangements in place to maintain and enhance the skills of all members.

The Board has adopted the National Housing Federation's Excellence in Governance Code (2015) and has undertaken a compliance assessment against the provisions against the code and certifies that it complies with all of the code's standards. The Company is regulated by the Regulator of Social Housing and the Charity Commission. The Board certifies that it complies with the Regulator's Governance and Financial Viability Standard. The Regulator has assessed EPIC as G1/V1, evidencing that EPIC meet their governance requirements and viability requirements of having the financial capacity to deal with a wide range of scenarios.

Over 2019/20 we received only 19 complaints, which is an increase from last years figures of 90% however these are still low numbers. Of these 19 complaints, 53% were upheld or partially upheld. This is compared to the previous 2 years when 50% and 57% of the complaints were upheld or partially upheld. No complaints were referred to the Ombudsman during the year (2015/16: none, 2016/17: none, 2017/18: one and 2018/19: none). Repairs and maintenance were again the source of most complaints with 58% being repair and maintenance related.

Growth Strategy

The Board has approved a 5 year Business Plan which includes a growth strategy of acquiring 175 homes (excluding right to acquire replacements) over the 2020-25 Business Plan period. The growth strategy involves a range of housing options, including Rent2Buy and Affordable Rent. Taken as a whole, the growth programme helps to deliver our vision of extending the range of good quality housing choices available for people on below average incomes. Our programme will be funded through a mix of surpluses generated from our operational activity and loan finance.

Value For Money And Efficiency Strategy - Our Approach To Achieving Value For Money

The Board recognises that achieving VFM is a fundamental part of the Association's business. It is a key strategic aim that underpins the whole business. VFM is about maximising organisational objectives by having a comprehensive and strategic approach to VFM, delivering and demonstrating it. As always, the responsibility remains with the Board. Our working definition set-out below of VFM is based on the Regulator of Social Housing's VFM Standard, Code of Practice and incorporates the RSH VFM Metrics.

Achieving VFM includes achieving economy, efficiency and effectiveness in all areas of activity, taking into account the outputs achieved as well as input costs. Economy, efficiency and effectiveness are defined as follows:

- Economy: minimising the cost of resources used while having regard to quality.
- Efficiency: the relationship between the output from goods or services and the resources to produce them.
- Effectiveness: the extent to which objectives are achieved and the relationship between intended and actual impacts.

The reporting arrangements enable stakeholders to make a judgement about EPIC's VFM performance, which in turn serves as a powerful incentive for our board to ensure that their approach to VFM is comprehensive, robust and delivers on the targets.

Strategic Report (continued)

In overall terms we aim to achieve a slight reduction in operating costs per unit, to be achieved through a combination of stock growth and operational efficiencies. This in turn will be supported by the modernisation of our patterns of communication and interaction with customers and suppliers; through the implementation of the CX Housing and Civica Financials systems, which will allow us to tailor the interactions between suppliers and each individual customers; resulting in EPIC delivering a personalised and effective experience whilst delivering efficiencies.

Measurement of Gains

The accounts-based reporting of regulatory financial metrics are complemented by our own corporate targets. Our own targets are just as important as the RSH metrics as they reflect the value of our social mission – in effect, the 'V' of VFM. This approach clarifies the measurement of VFM gains, evidencing the beneficial movement of the association's corporate measures alongside the RSH's standard metrics. These two outcomes are directly related to RSH objectives for reviewing VFM regulation:

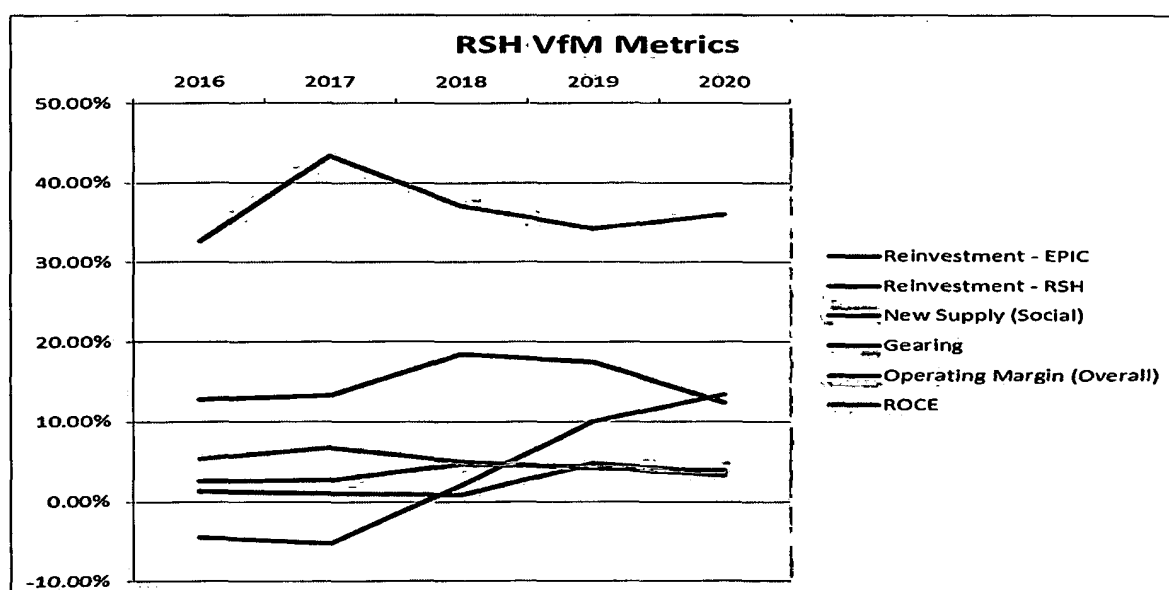
- to enhance consistency, comparability and transparency of VFM reporting; and
- to ensure a strategic approach to delivering VFM is embedded within businesses.

EPIC will annually publish evidence in the statutory accounts to enable stakeholders to understand our:

- Performance against our own key performance indicator targets and those metrics set out by the regulator, and how that performance compares to peers.
- Measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate and the rationale for this.
- Where necessary this will be accompanied by a succinct focused commentary explaining our figures and drawing on other data where necessary to substantiate what we have said.

The RSH re-investment metric does not currently consider growth by acquisition. In EPIC's case these are properties procured from private individuals for the Rent 2 Buy programme (intermediate rent) and therefore are to be considered as an addition to social housing properties held for letting. The Regulator has suggested that we report a separate re-investment metric in our accounts (alongside the RSH measure), to fairly reflect EPIC's performance in the year. This is in line with their advice to providers who have a set of circumstances which distort the output shown by the standard measure. They have confirmed that they will consider adding additional lines to the Financial Viability Assessment (FVA) reflecting this in the re-investment metric should they see increased activity in this area across the sector in future years.

The following charts illustrate EPIC's performance for the period 2016-2020 against the RSH VFM Metrics in addition to a separate re-investment metric (alongside the RSH measure), to fairly reflect EPIC's performance in the year for 2016 to 2020:



RSH Vfm - EBITDA - MRI

Year	EBITDA - MRI (%)
2016	150.00%
2017	115.00%
2018	35.00%
2019	10.00%
2020	5.00%

RSH Vfm - Headline Social Housing Cost per Unit

Year	Headline Social Housing Cost per Unit (£)
2016	2.06
2017	1.86
2018	2.02
2019	2.27
2020	2.29

	Actual Performance Year on Year					Forecast *	Actual versus Forecast **
RSH VFM Metrics - EPIC Performance	2016	2017	2018	2019	2020	2020	2020
Reinvestment - EPIC	12.80%	13.30%	18.50%	17.50%	12.40%	21.21%	⊗
Reinvestment - RSH	1.30%	1.00%	0.80%	4.80%	3.60%	N/A	⊗
New Supply (Social)	2.60%	2.70%	4.70%	4.40%	3.30%	5.00%	⊗
New Supply (Non-Social)	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	⊗
Gearing	-4.50%	-5.30%	2.00%	10.00%	13.40%	17.90%	⊗
EBITDA - MRI	15555.6%	11681.3%	3298.0%	1069.3%	681.8%	504.7%	⊗
Headline Social Housing Cost per Unit	2.06	1.86	2.02	2.27	2.29	2.57	⊗
Operating Margin (SHL)	32.70%	43.50%	37.20%	34.30%	36.10%	30.30%	⊗
Operating Margin (Overall)	32.70%	43.40%	37.20%	34.30%	36.10%	30.30%	⊗
ROCE	5.40%	6.80%	5.00%	4.20%	3.90%	3.10%	⊗
* FFR 2019-49 - Re-Submitted 09.07.19 - Altair VFM Metric Report							
** RSH Vfm Metrics - Source FVA v2							

RSH VFM Metrics - EPIC Performance	2016	Quartile	2017	Quartile	2018	Quartile	2019	Quartile
Reinvestment - EPIC	12.80%	**	13.30%	**	18.50%	UPPER	17.50%	UPPER
Reinvestment - RSH	1.30%	**	1.00%	**	0.80%	LOWER	4.80%	LOWER
New Supply (Social)	2.60%	**	2.70%	**	4.70%	UPPER	4.40%	UPPER
New Supply (Non-Social)	0.00%	**	0.00%	**	0.00%	N/A	0.00%	N/A
Gearing	-4.50%	**	-5.30%	**	2.00%	LOWER	10.00%	LOWER
EBITDA - MRI	15555.6%	**	11681.3%	**	3298.0%	UPPER	1069.3%	UPPER
Headline Social Housing Cost per Unit	2.06	**	1.86	**	2.02	LOWER	2.27	LOWER
Operating Margin (SHL)	32.70%	**	43.50%	**	37.20%	MEDIAN	34.30%	MEDIAN
Operating Margin (Overall)	32.70%	**	43.40%	**	37.20%	UPPER	34.30%	UPPER
ROCE	5.40%	**	6.80%	**	5.00%	MEDIAN	4.20%	MEDIAN

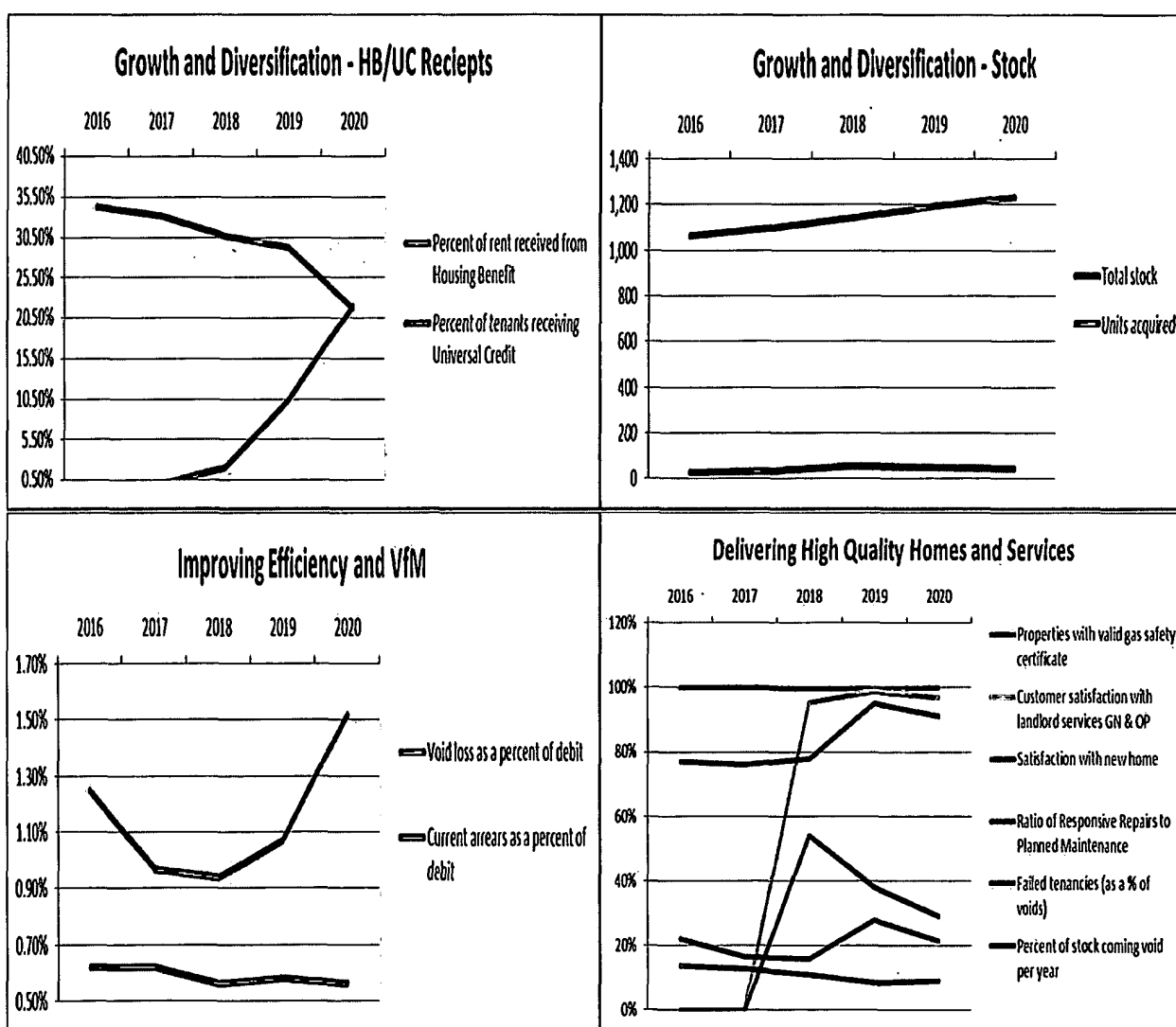
** Denotes no quartile comparatives available - EPIC figures only

Strategic Report (continued)

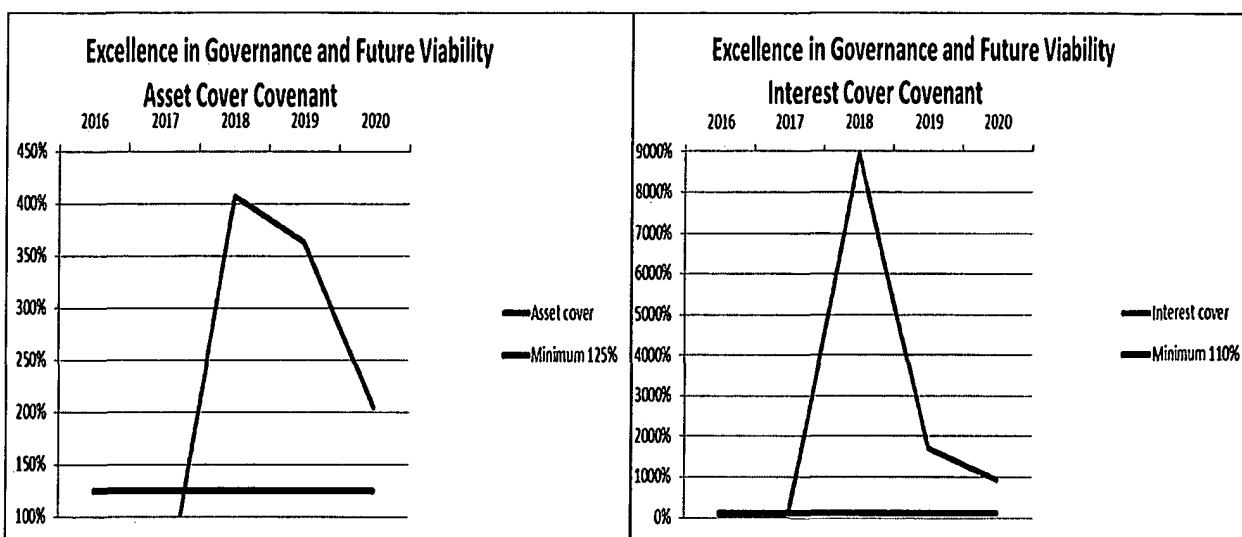
The table below sets out EPIC's performance compared to that of our peers in the Regulators initial Published Global Accounts 2019 VFM Metrics:

Global Accounts VFM Metrics 2019		Value for Money metrics								
	FYE	Reinvestment	New Supply (Social)	New Supply (Non-Social)	Gearing	EBITDA MRI Interest Rate Cover	Headline Social Housing Cost per unit	Operating Margin (SHL)	Operating Margin (Overall)	ROCE
EPIC - Global Accounts	31/03/2019	4.6%	4.4%	0.00%	10.0%	1,069.3%	2.27	34.3%	34.3%	4.2%
EPIC 2019 Financial Viability Assessment		17.5%								
Lower Quartile		3.8%	0.4%	0.00%	32.9%	133%	3.09	23.4%	20.0%	3.0%
Median		6.2%	1.4%	0.00%	44.1%	163%	3.62	29.7%	27.2%	3.8%
Upper Quartile		9.0%	2.6%	0.00%	67.0%	244%	4.60	36.6%	32.9%	4.9%
EPIC Position out of 273		172nd & 8th highest	17th highest		16th lowest	7th highest	13th lowest	87th highest	87th highest	108th highest
Metric Range		0% to 31.5%	0% to 93.8%	0% to 50.69%	-590.6% to 9,777.5%	-1,251.5% to 15,038.5%	1.30 to 26.60	-21.5% to 65.5%	-22.0% to 52.8%	-9.4% to 69.3%
EPIC - QUARTILE PERFORMANCE		LOWER UPPER	UPPER		LOWER	UPPER	LOWER	MEDIAN	UPPER	MEDIAN

The following charts illustrate EPIC's performance for the period 2016-2020 against the Organisation's VFM Metrics:



Strategic Report (continued)



The following table illustrate EPIC's performance for the period 2016-2020; and EPIC's actual versus forecast performance for 2020 against the Organisational VFM Metrics:

Objectives	EPIC Actual Annual Performance	EPIC Actual Annual Performance	EPIC Actual Annual Performance	EPIC Actual Annual Performance	EPIC Actual Annual Performance	EPIC Forecast Performance	EPIC Actual versus Forecast Performance
	2016	2017	2018	2019	2020	2020	
Growth and diversification of our housing offer							
Total stock	1066	1096	1145	1194	1233	1236	⊕
Units acquired	28	32	53	51	41	44	⊕
Percent of rent received from Housing Benefit	34.35%	33.19%	30.73%	29.32%	21.74%	35.00%	⊕
Percent of tenants receiving Universal Credit	N/A	N/A	2.05%	10.39%	22.05%	N/A	
Improving efficiency and Vfm							
Void loss as a percent of debit	0.62%	0.62%	0.56%	0.58%	0.56%	0.60%	⊕
Current arrears as a percent of debit	1.25%	0.97%	0.94%	1.07%	1.52%	1.50%	⊕
Delivering high quality homes and services							
Ratio of Responsive Repairs to Planned Maintenance	N/A	N/A	0.54	0.38	0.29	0.40	⊕
Customer satisfaction with landlord services GN & OP	N/A	-	95%	99%	97%	N/A	
Percent of stock coming void per year	13.79%	13.00%	11.00%	8.52%	9.04%	N/A	
Failed tenancies (as a % of voids)	22.00%	16.40%	16.00%	28.00%	21.55%	20.00%	⊕
Satisfaction with new home	77.00%	76.00%	78.00%	95.00%	91.00%	75.00%	⊕
Properties with valid gas safety certificate	99.80%	100.00%	99.64%	99.65%	**99.92%	100.00%	⊕
Excellence in governance and future viability							
Minimum 125%	125%	125%	125%	125%	125%		
Asset cover	0%	0%	406%	363%	204%	N/A	
Minimum 110%	110%	110%	110%	110%	110%		
Interest cover	0%	0%	8933%	1704%	924%	N/A	
** 100% of our properties where access was granted with valid gas certificates; (99.92% inclusive of where access has been denied); the appropriate legal process has been initiated where access has been denied.							

Areas of underperformance RSH VFM Metrics:

Reinvestment EPIC:

- The actual of 12.40% is significantly lower than the forecast of 21.21%; this is due to the re-profiling of the Growth Programme following the re-call of unallocated funding by Homes England for the Rent to Buy Round 1 indicative programme for 51 units.

Strategic Report (continued)

New supply delivered:

- 41 properties were acquired during the year, this being 3 fewer than the revised target of 44 (reduced by 51 indicative Rent to Buy Round 1 units), the shortfall of 3 properties has been included in the remaining 1 year of the growth programme.

Gearing - net debt (maximum 60%):

- As at 31 March 2020 we have drawn down less than was forecasted from the loan facility due to the re-call of unallocated funding by Homes England for the Rent to Buy Round 1 indicative programme for 51 units.

EBITDA:

- The actual EBITDA of 681.8% is higher than the forecast of 504.7% due to the impact of the re-call of unallocated funding by Homes England for the Rent to Buy Round 1 indicative programme for 51 units on operating surplus, amortised grant, capital major repairs expenditure, depreciation charge and interest payable.

Areas of underperformance Organisational VFM Metrics

Total stock/units acquired:

- 41 properties were acquired during the year, this being 3 fewer than the revised target of 44 (reduced by 51 indicative Rent to Buy Round 1 units), the shortfall of 3 properties has been included in the remaining 1 year of the growth programme.

Current arrears as a percent of debit:

- The principal operational risk posed by Covid-19 is the potential for the business to carry increased levels of rent arrears and endure reduced revenue streams. The end of year performance is above the target of 1.5% (but within tolerance of +1%) this is due to a surge in the number of UC claimants; and the associated issue with UC in that it does not sufficiently account for weekly tenancies in leap years. UC is calculated as a monthly payment, based on a 52-week year. The year 2019/20 contained 53 weeks. For tenants on monthly tenancies there is no detrimental impact, but for weekly tenancies the calculation of entitlement leads to a shortfall in UC payment of one week rent, which manifests itself at the end of the year. EPIC's arrears are beginning from a low baseline and therefore performance remains excellent in the context of the sector.
- In order to mitigate the threats posed to the income stream we have undertaken the following mitigations.
 - We are undertaking an exercise to profile our customers and better understand our exposure. We are therefore telephoning and surveying all our tenants and are working to analyse data to determine how best to proceed.
 - We have introduced a revised Arrears Policy Statement to account for the changes in legislation and to the macro-economic environment.
 - We are contacting those who pay cash in the office to advice on alternative methods.
 - We are dedicating more internal resources onto income management.

Ratio of Responsive Repairs to Planned Maintenance:

- The actual of 0.29% is below the 0.40% forecast; due to the re-call of unallocated funding by Homes England for the Rent to Buy Round 1 indicative programme for 51 units and a lower demand for responsive repairs than budgeted.

Failed tenancies as a percentage of voids:

- The actual of 21.55% is marginally above the 20.00% forecast. It is anticipated that terminations will be reduced by the restrictions imposed as a result of Covid-19, as tenants' physical opportunities to move are reduced. Sadly, there is also the potential for increased tenancy-ends due to Covid-19 related fatalities. Predicting the onward trend is more problematic given the number of variables involved; however, a few potential scenarios can be envisaged. These include:
 - Increased relationship breakdowns leading to tenancy ends.
 - Movement as tenants who have lost jobs move for work.
 - EU migrants returning to their country of origin for e.g. caring responsibilities or as a result of unemployment.
- We will continue to monitor the trend closely as these matters evolve.

The above measurable plans address areas of under performance; the rationale for each evidencing that no direct improvements are appropriate.

Strategic Report (continued)**Business planning to Ensure Delivery of VFM**

The Board and Executive Team developed a Business Plan, which has a five year timescale and is reviewed at least yearly. The Business Plan analyses our resources, our operating environment and identifies the key opportunities for growing the organisation and achieving efficiencies in our operations. As part of this process we develop a set of key performance indicators which allow us to measure our performance against objectives and also enable comparisons with other providers of social housing.

Key Objectives

EPIC has clear, up-to-date key objectives in place which:

- deal with the medium to long-term future of the organisation;
- include measurable targets based on outcomes, and
- are demonstrably linked to the aims and purpose of the organisation.

These overall objectives were translated into a series of targets for day-to-day performance (relating to objectives 2 and 4), and our growth programme (relating to objectives 1 and 3).

In 2019/20 our overall objectives were:

1. Growth and diversification of our housing offer.
2. Improving efficiency and achieving value for money.
3. Delivering high quality homes and services.
4. Excellence in governance and future viability.

Resource Usage

As part of the Business planning process and budgeting approach we consider the resources needed to achieve our objectives, the expected returns of their achievement and the means we use to achieve objectives. In terms of how we consider our financial resources, we have split our cost base into three work streams:

1. Core operational costs such as management and maintenance of our housing stock.
2. Investment in our stock to ensure its current and future viability.
3. Growth through acquisitions.

We use a range of techniques to identify costs, drive efficiency and measure value and return. For operational costs, we regularly review key processes and activities using techniques such as lean reviews and service design. Investments in our existing stock or in major new ventures are governed by project management disciplines which require business cases, risk management and post-completion analysis of benefits. Our growth programme is underpinned by a yield model which identifies a target return which is then used to calculate the purchase price and spend envelope for the refurbishment. The model is validated at regular intervals through audits.

Choosing the Best Ways to Meet Our Objectives

Delivering high quality services is at the heart of our ethos and our methods of service delivery have been subject to continuous review and evolution. For example, we are one of the few housing associations to visit most housing applicants in their homes before they join our list. This practice helps identify potential risks, it enables proper verification of identity and it sets up a personal relationship with prospective tenants. Over the long term this has resulted in a much reduced rate of tenancy failure, fewer instances of properties in poor condition and it has contributed to our exceptionally good record in arrears recovery. Similarly, our Board considered the merits and demerits of expanding through the acquisition of empty homes and new-build. Over the years we had built up considerable operating surpluses and given the low returns of our investments expansion was the right decision. However, housing demand in Stoke is volatile and several other housing providers have experienced problems in letting homes. The cost of new-build compared to the rentals we can achieve is also very high so we have to date adopted a strategic direction of expansion through the acquisition and refurbishment of existing homes, located within stable and viable neighbourhoods. To guide our process we developed a yield forecasting methodology which enables us to identify target yields for acquisitions and then monitor performance against the targets.

Strategic Report (continued)

Measuring, Comparing and Reporting our Performance

At the start of each financial year we set out a series of operational and strategic targets which are reported monthly to the Management Team and key performance indicators are reported to each Board meeting.

Continuous Review and Learning

We have a system of continuous rolling review of our policies, practices and activities with this being a feature of Management Team meetings and meetings of the Audit Committee and Board.

Specific VFM Measures and Changes to our Service Package

During the year we introduced the following changes to our service package.

Communication with Customers

We promote communicating with our customers by email where possible, thereby improving the speed of communication and reducing cost; and applications are made directly online unless the applicant does not have access to the internet.

Digital Service Transformation & Channel Shift

EPIC are continuing with the deployment of two major systems, CX Housing and Civica Financials. A 5-year systems contract worth £387,600 was awarded to Civica in September 2017 to this end.

Following the loss of key Project Team members from EPIC and Civica an extended implementation timeframe was agreed. The delays in implementation, and the requirement for additional support, led to some operational and financial implications. In part this includes an ongoing relationship with a third party supplier to provide support and assistance in achieving our overall project aims. A full exception plan was agreed by the Board in light of the above changes. In response to recent global events a further exception plan was required, taking into consideration new remote ways of working. This revised plan has since been approved by the Senior Management Team.

The Phase 1 modules have been live since April 2018 with works ongoing to introduce the remaining modules. These will provide further efficiencies for employees, customers and business partners (i.e. suppliers) going forwards.

A summary of modules implemented and planned for implementation to date:

Modules already implemented – Phase 1:

- Rent arrears
- P&S Lite part 1
- Communication Engine
- Security
- Repairs
- Assets
- Generic forms

Modules to be implemented – Phase 2:

- Allocations and voids
- P&S Lite part 2
- Home Buy
- Information Management
- Campaigns
- Feedback
- ASB (Anti Social Behaviour)
- Contractor Portal
- Tenant Portal
- M3 – a graphical tool which helps residents and staff to report repairs online using pictures and advice.

Throughout 2019, an analysis of business as usual (BAU) issues logged with Civica was carried out; this helped to identify the adoption of an appropriate version release of the system for EPIC to upgrade Cx to. The benefits of this were to be twofold, to reduce the number of issues

Strategic Report (continued)

causing operational problems as well as introducing a stable platform upon which to introduce Phase 2 modules, many of which had been functionally enhanced between version releases. To this end active user acceptance testing began in autumn 2019 with deployment of the new version release, 19.8, in January 2020. BAU tickets have reduced significantly post-upgrade and redesign and deployment activities for the rest of the project have commenced.

We are currently focusing on the implementation of P&S Lite, the redesign of the rents and arrears module and the configuration and roll out of our anti-social behaviour (ASB) module. Use of the cases and tasks functionality within Cx is now being developed substantially to build automated workflows for processes. Electronic forms are also being built and integrated within these workflows.

The web-based CX Housing system is set to improve the tenant experience by extending online services and reducing manual data entry for employees, freeing-up time for housing officers to spend more time in the community. The new online tenant portal will make it much easier for tenants to report issues such as necessary repairs and make rent payments.

The new self-service offering will allow EPIC's customers to communicate how and when they choose, while the central tenant database will provide frontline employees with information at their fingertips to ultimately deliver customer-led insights in the future.

The centralised Customer Relationship Management (CRM) element of the system will also help EPIC's office based employees to respond more quickly to customer queries and ensure more efficient service delivery, as well as providing a way to analyse and segment data to build better targeted tenant communications.

With powerful management reporting at its core, Civica Financials offers a comprehensive suite including general ledger, debtors, creditors, purchasing, asset management, budgeting and forecasting. By adopting Civica Financials alongside the CX Housing solution, EPIC will also have access to an integrated, web-based financial management system to gather a real-time view on rent payments and arrears.

To better facilitate digital engagement with customers, a new website has been scoped, designed and made ready for live deployment in 2020. The website is managed using a modern content management system (CMS), empowering multiple contributors to create and edit content going forwards. The new website will also facilitate integration with customer facing services via CX.

In 2019, a number of servers in the existing server estate were identified for retirement and others with ageing operating systems were chosen for retention within a demilitarised zone (DMZ) section of the network. These works were completed in 2020. The remote access gateway, used to provide remote access to desktop services, was also replaced with a new, managed solution with greater scope for increased capacity.

A number of systems and services are due for renewal or replacement in 2020. These include the current firewall, mail gateway and anti-virus solutions, together with the initial service and support term for the current telephony system. The current data communication solution, a 50Mb broadband service via Virgin Media, is no longer on a fixed term contract and is provided on a rolling monthly basis. Alternative solutions will be reviewed for this service, as the scale and supportability of the data communication service is vital for ensuring both accessibility to internet based services within the business, as well as providing customer facing services to customers going forwards.

The current productivity software suite in use within the business, Microsoft Office 2010, will reach end of life for service and security patches and general support from October 2020. A natural progression, given EPIC's existing familiarity and usage of the Microsoft suite of Office applications, is a move to Office 365. The migration to Office 365 provides further opportunities beyond a modern desktop suite. The adoption of collaboration software and the opportunity to move existing services such as Sharepoint, Exchange and the file store into the Cloud, builds resilience into these services and reduces the server footprint on premises.

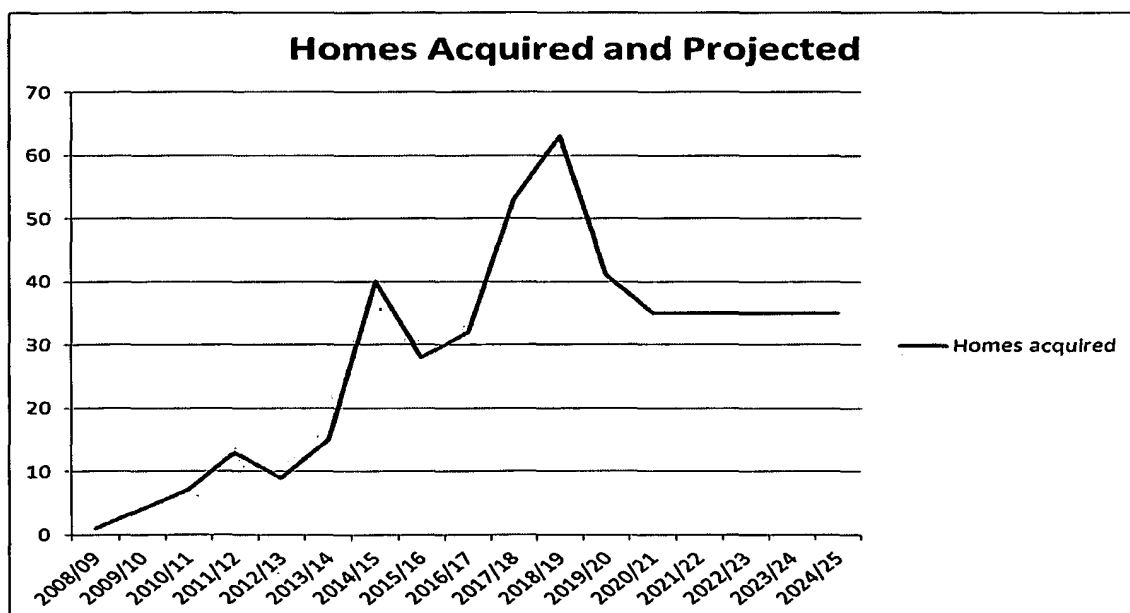
Strategic Report (continued)**Our Growth Programme**

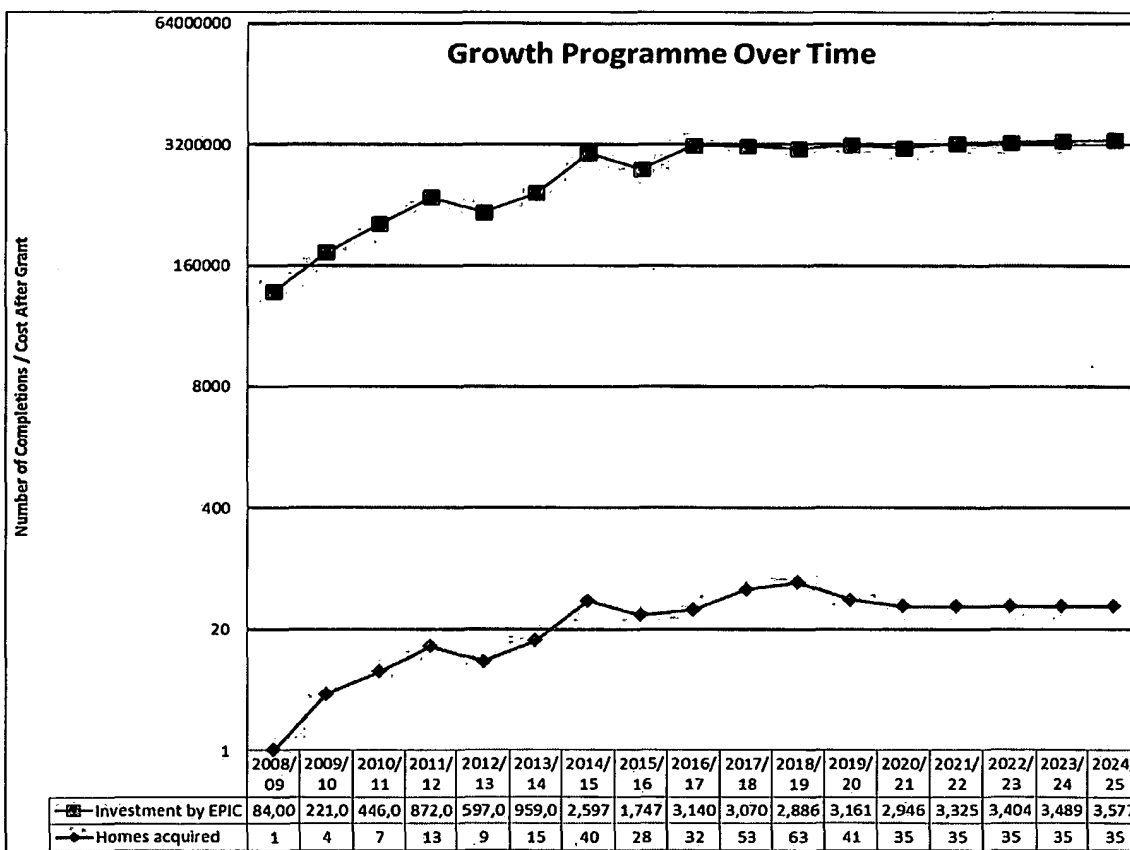
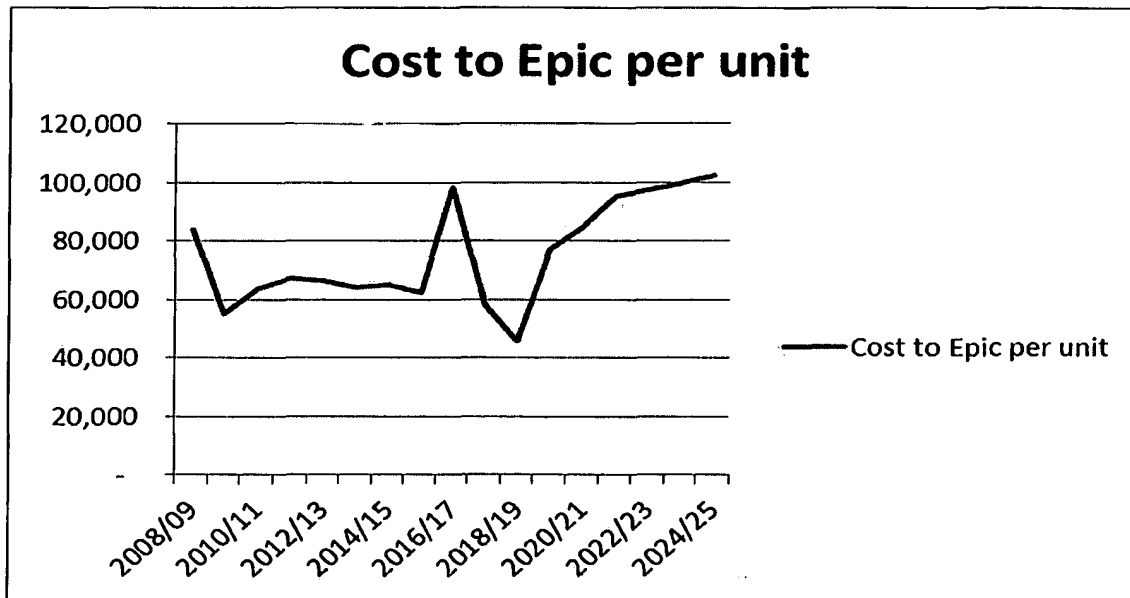
Our acquisition programme commenced in 2008, and to date we have acquired 295 properties. The gross investment over the period and including our future programme is over £40 million, comprising of £23 million investment funded from our generated surpluses and a £14 million loan facility from Triodos Bank plus an additional £8.9 million of grant funding from Homes England and local authorities. The level of investment from Homes England was reduced in 2019/20 by the recall of £1.5 million in grant funding. This reflected changes in Homes England's position and it was reinforced that there were no concerns regarding our delivery. In 2019/20 we acquired 41 new properties. Our focus has been to work closely with local authorities to identify and bring back into use empty homes. We have also sought to exploit opportunities on the open market to diversify our geography and housing offer. The impact of Covid-19 has caused us to re-evaluate our delivery targets in 2020/21 and we now expect to deliver 26 further units. We are however well positioned to exploit opportunities which emerge as the housing market reopens.

The following graphs indicate the size of the achievement and investment made, in conjunction with details of our future investment strategy. Before 2017/18 we achieved our growth programme without taking on any debt and we have allocated the initial £5 million loan facility to finance the programme to the end of year, a further £9 million loan is in place to fund the programme to 2022. The programme also delivers additional revenue through rental income that can be used to service our loan finance and invested in our stock to ensure it remains in good condition. By 2022 the cumulative impact of the next 4 years growth programme should see over £1.1 million in additional rental income. Since 2008/09 24% of the total cost of our acquisition programme has been funded by grant at an average grant rate of £25,000 per unit, which is a similar grant rate to the English average.

Bringing empty properties back into use is environmentally friendly, helping to restore confidence in neighbourhoods, enabling us to extend our stock portfolio, thus safeguarding customer retention by diversifying our housing options. We work closely with the empty property teams in Stoke, Staffordshire Moorlands and Newcastle and have developed excellent relationships with local estate agents. We have developed a clear acquisition strategy based upon our market intelligence and key local data to ensure we invest to guide our investment approach. Our yield model also ensures that we pay no more than we should for properties and can monitor their financial performance over the long term.

All our work is placed with locally based contractors, who in turn employ and train local people. Of significant importance is that this enables the new tenants to rent the properties at less than market rent levels. Feedback received from Homes England has been excellent and we are acknowledged as one of the Midlands top performers.





Strategic Outcomes

Our biggest single item of expenditure in 2019/20 was on the acquisition and refurbishment of houses through our growth programme. In this instance we are measuring outcomes in two key senses; firstly, the yield that the rental income gives us as a percentage of the acquisition cost and secondly the effects on tenant retention i.e. the percentage of tenants who may have left us for another landlord or tenure as their families expand. On average, our rents are 31% less than the private sector equivalent. This means that our lower rents help to save at least £288,000 per year on the Housing Benefit bill based on the number of customers we have claiming full housing benefit.

Strategic Report (continued)

Corporate Social Responsibility

As a locally based organisation, we ensure that we make a wider contribution to the social and economic health of our area. Some examples of our approach include:

John Flock Fund

The John Flock Fund (established by EPIC in 2011) is currently being reviewed in order to repurpose it in order to ensure that it is benefitting the community as it was originally intended to do.

Future Plans

Our Business Plan

The Business Plan for 2020-2025 commits us to:

- Extending the range of good quality housing choices available for people on below average incomes.
- Delivering an intelligent housing service which creates value for the household and the wider community.

EPIC's current Business Plan underwent a significant refresh early in 2020 and remains in place until 2025. At the away-day held on the 27th November 2019 the Board confirmed its commitment to the existing vision, mission and key objectives of the organisation, subject to some minor textual amendment.

In terms of the future the Board identified the following six themes:

1. Becoming a "Digital First" Business.
2. Driving efficiencies within the Business.
3. Responding flexibly and with agility to customer needs.
4. Increasing our ability to work in effective partnerships.
5. Creating homes for the future.
6. Robust arrangements for business continuity, information management and governance and security.

Despite the issues arising from the Coronavirus pandemic we remain confident that we will achieve our goals over the next five years but there is no doubt that our operational context will change and we will ensure our forecasting, market intelligence and risk management enables EPIC to deal with the uncertainties and opportunities that will arise.

Statement of the Board's Responsibilities in Respect of the Accounts

The Board has adopted the National Housing Federation's Excellence in Governance - code for members and good practice guidance and was compliant with the version in force during the year. Company law, The Charities Act and Registered Providers legislation in the United Kingdom require the Board to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for that period.

In preparing these accounts the Board is required to:-

1. Select suitable accounting policies and then apply them consistently.
2. Make judgements and estimates that are reasonable and prudent.
3. State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
4. Prepare the accounts on the going concern basis unless it is inappropriate, to presume that the Company will continue in business.

The Board is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable it to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, by establishing and maintaining a satisfactory system of control over the Company's accounting records, cash holdings and all its receipts and remittances.

In accordance with Company Law, as the Company's directors, we certify that there is no relevant audit information of which the Company's auditors are unaware and the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in the financial statements.

Statement on the System of Internal Control

The Board has overall responsibility for establishing and maintaining the whole system of internal control and reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Company's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes Covid-19; cyber security; GDPR; fraud awareness; regular evaluation of the nature and extent of risks to which the Company is exposed; regular review of the risk appetite statement; the establishment of an internal audit universe and adoption of 'three' lines of defence, delivering a mix of internally and externally sourced internal audits focusing on key controls and key risks. This approach is consistent with Regulator of Social Housing's Regulatory Framework in evidencing EPIC's compliance with their governance and viability requirements.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

Identification and Evaluation of Key Risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Company's activities. The Management Team regularly considers and receives reports on significant risks facing the Company and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

Statement of the Board's Responsibilities in Respect of the Accounts (continued)**Overall Control Procedures**

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. Policies and procedures cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

Information and Financial Reporting Systems

Financial reporting procedures include detailed budgets for the year ahead, detailed management accounts produced quarterly and forecasts for the remainder of the financial year. These are reviewed in detail by the executive directors and are considered and noted by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

Monitoring and Corrective Action

A process of regular management reporting on control issues provides assurance to senior management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of our services.

The internal control framework and the risk management process are subject to regular review. The Audit and Risk Committee considers internal control and risk at each of its meetings during the year.

The Audit and Risk Committee conducts an annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of risk management and control processes. The Audit and Risk Committee makes an annual report to the Board. The Board will receive this report at their next meeting.

The Board confirms that there is an ongoing process for identifying, and managing significant risks faced by the Company. The key risks identified are categorised as operational risks and strategic. Some examples of key risk exposures include:

- Covid-19 pandemic.
- Staff capacity.
- Ensuring finance is in place to deliver the growth programme.
- Volatility of the housing market in Stoke-on-Trent.
- Affordability of our housing products.
- Delivery of our growth programme contractual commitments.
- Major implementation of new housing and finance ICT systems.
- Roll-out of Universal Credit and impact on income collection rates.

If appropriate, action is taken to further monitor and understand emerging or crystallising risks, with regular updates and progress against corrective, or action plans, an example would be the updates to the Board on the consideration of whether Covid-19 presents material uncertainties about going concern. The Board have agreed that at this stage there is no fundamental need to radically alter the Business Plan although individual targets, especially operational ones, will need to be altered. It would be premature to remodel the Business Plan as the policy agenda is still emerging and the longer term economic impacts are yet to materialise. There is now strategy for releasing the lockdown; it has not caused any changes in the way we are operating; and we are not prepared to go down the route of opening the office at present. The Board are considering the art of what is possible in regards of EPIC's future base; employment offer; service offering; ICT changes in addition to governance and traceability.

The risks are comprehensively evaluated and reviewed when formulating and updating the Business Plan, and incorporate the main pillars of risk associated with our activities and operating environment.

EPIC undertakes stress testing as an integral part of the Business planning, performance monitoring and risk management process, to explore the vulnerabilities in the Business Plan and assess the company's financial tolerances.

Statement of the Board's Responsibilities in Respect of the Accounts (continued)

The stress testing process includes both macro-economic risks and specific organisational risks; and considers a range of scenarios, focusing on the risk, or combinations of risks, that would be deemed to have the most significant impact on the Business Plan. Financial provision is then made in the Business Plan to ensure that should some of the risks materialise, separately or in combination the Business Plan could absorb the impact.

Projections for key covenants and agreed financial "golden rules" are illustrated for each stress test and combination of scenarios.

EPIC will continue to have a grip on those risks that are within their direct control and demonstrate a robust approach to stress testing; and in doing so consider a wide range of scenarios and different risks both those in their direct control and those that are not, but will require mitigation. This process has been in place throughout the year under review, up to the date of the annual report and accounts, and is regularly reviewed by the Board.

Employment and Equal Opportunities

Employee information is set out in notes 7 & 8 of the financial statements. The Company is committed to the principles of equal opportunities and undertakes regular refresher training on equality and diversity for all staff.

The Company is aware of its responsibilities with regard to the Health and Safety of its employees. There are comprehensive policies and procedures in place, which are reviewed on a regular basis in consultation with all staff. All new staff receives training on these policies as part of their induction.

Statement of Compliance

The board confirms that this Strategic Report has been prepared in accordance with the principles set out in Para 4.7 of the 2015 SORP for Registered Social Housing Providers.

Disclosure of Information to the Auditor

The Board members who held office at the date of approval of this Strategic Report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditor is unaware; and each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

By order of the Board

Mr Stephen Funnell
Chair

Date: 1 September 2020

Independent Auditor's Report to the Members of Empowering People Inspiring Communities Ltd**Opinion**

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

In our opinion, the financial statements:

give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its income and expenditure for the year then ended

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

Independent Auditor's Report (continued)

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent Auditor's Report (continued)

Use of our report

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



Sue Hutchinson (Senior Statutory Auditor)
For and on behalf of
Beever and Struthers
Statutory Auditor
St George's House
215/219 Chester Road
Manchester
M15 4JE

Date: 15 September 2020

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year Ended 31 March 2020 £	Year Ended 31 March 2019 £
Turnover	1/2	4,524,811	4,164,319
Operating costs	2	(2,890,153)	(2,734,425)
Gain on disposal of property, plant and equipment	22	7,278	52,518
Operating surplus		1,641,936	1,482,412
Interest receivable		1,472	1,317
Interest and financing costs	5	(242,045)	(137,203)
Surplus before taxation		1,401,363	1,346,526
Taxation		-	-
Surplus for the year after taxation		1,401,363	1,346,526
Other comprehensive income			
Initial recognition of multi-employer defined benefit scheme		-	(333,000)
Actuarial losses in respect of pension scheme	16	441,720	(159,541)
Total comprehensive income for the year		1,843,083	853,985

The results relate wholly to continuing activities and the notes on pages 32 to 50 form an integral part of these accounts.

STATEMENT OF FINANCIAL POSITION

	Notes	Year Ended 31 March 2020 £	Year Ended 31 March 2019 £
Fixed assets			
Tangible fixed assets	9	38,793,454	34,352,607
Investments in subsidiary	10	1	1
		38,793,455	34,352,608
Current assets			
Trade and other debtors	11	490,653	627,288
Investments	12	13,585	13,551
Cash and cash equivalents	12	3,454,116	1,452,925
		3,958,354	2,093,764
Less: Creditors: amounts falling due within one year	13	1,047,618	998,792
Net current assets		2,910,736	1,094,972
Total assets less current liabilities		41,704,191	35,447,580
Creditors; amounts falling due after more than one year	14	(14,479,892)	(9,579,615)
Provisions for liabilities			
Pension – defined benefit liability	16	(396,000)	(898,000)
Total net assets		26,828,299	24,969,965
Reserves			
Revaluation reserve		9,825,099	10,127,848
Revenue reserve		17,003,200	14,842,117
Total Reserves		26,828,299	24,969,965

Company registration number 3333405.

The financial statements on pages 28 to 50, were approved and authorised for issue by the Board on 1 September 2020 and were signed on its behalf by:

Chair



S. Funnell

Secretary



L. Gibbs

STATEMENT OF CHANGES IN RESERVES

	Revenue Reserve	Revaluation Reserve	Total
	£	£	£
Balance at 31 st March 2018	13,761,132	10,354,848	24,115,980
Surplus 2018/19	1,186,985	-	1,186,985
Pension Adjustment **	(333,000)	-	(333,000)
Transfer between reserves (excess depreciation)	227,000	(227,000)	-
Balance at 31 st March 2019	14,842,117	10,127,848	24,969,965
Surplus 2019/20	1,843,083	-	1,843,083
Right to Acquire Property Disposals (Reversal of Revaluation)	-	15,251	15,251
Transfer between reserves (excess depreciation)	318,000	(318,000)	-
Balance at 31 st March 2020	17,003,200	9,825,099	26,828,299

** Initial recognition of multi-employer defined benefit scheme.

STATEMENT OF CASH FLOWS

	Year ended 31 March 2020 £	Year ended 31 March 2019 £
Net cash generated from operating activities (see below)	2,133,003	1,848,431
Cash flow from investing activities		
Purchase of tangible fixed assets	(5,354,936)	(6,369,863)
Proceeds from sale fixed assets	172,500	202,000
Grants received	1,286,601	1,672,107
Interest received	1,472	1,317
Cash flow from investing activities	(3,894,363)	(4,494,439)
Cash flow from financing activities		
Interest paid	(21,000)	(20,000)
New secured loans	4,000,000	3,000,000
Repayment of borrowing	(216,415)	(213,476)
Subtotal	3,762,585	2,766,524
Net change in cash and cash equivalents	2,001,225	120,516
Cash and cash equivalents at beginning of the year	1,466,476	1,345,960
Cash and cash equivalents at end of the year	3,467,701	1,466,476
Cash flow from operating activities		
Surplus before taxation	1,401,363	1,346,526
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	793,446	723,369
Increase/(decrease) in bad debt provision	7,936	17,499
Decrease/(increase) in trade and other debtors	128,699	(353,918)
Decrease/(increase) in trade and other creditors	(63,906)	288,406
Pension costs less contributions payable	(81,280)	(85,542)
Adjustments for investing or financing activities:		
Proceeds from the sale of tangible fixed assets	(9,831)	(56,657)
Government grants utilised in the year	(62,952)	(49,935)
Interest payable	21,000	20,000
Interest received	(1,472)	(1,317)
Net cash generated from operating activities	2,133,003	1,848,431

Reconciliation of Net Debt

	At the Beginning of the Year	Cashflows	At the End of the Year
Cash and Cash Equivalents	1,466,476	2,001,225	3,467,701
Housing Loans Due in 1 Year	(158,728)	(120,716)	(279,444)
Housing Loans Due After 1 Year	(4,692,341)	(3,662,869)	(8,355,210)
	(3,384,593)	(1,782,360)	(5,166,953)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**Principle Accounting Policies****Legal Status**

Empowering People Inspiring Communities Limited is incorporated under the Companies Act 2006 as a company limited by guarantee without share capital and is registered with the Regulator of Social Housing in England as a Private Registered Provider as defined by the Housing and Regeneration Act 2008 and the Charity Commission.

Principal Accounting Policies**(a) Basis of Accounting**

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2018. The Association is a Public Benefit Entity and has applied the Public Benefit Entity Section of FRS102.

The financial statements comply with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The accounts are prepared on the historical cost basis and are presented in sterling for the year ended 31 March 2020.

The financial statements have been prepared in compliance with FRS102.

(b) Going Concern

The Association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. Government's announcements in July 2015 impacting on the future income of the Association have led to a reassessment of the Association's Business Plan. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

(c) Critical Accounting Judgements And Key Sources Of Estimation Uncertainty

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

a. Categorisation Of Housing Properties

The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals. The Association has determined that all property is held for social benefit.

b. Impairment

Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of the net realisable value or its value in use. The Association has identified a cash generating unit for impairment assessment purposes at a property unit level.

Principle Accounting Policies (continued)

b. Impairment (continued)

Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income.

Following a trigger for impairment, impairment tests are performed based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from sales transactions in an arm's length transaction on similar cash generating units (properties) or observable market prices less incremental costs for disposing of the properties. The value in use calculation is based on either a depreciated replacement cost or a discounted cash flow model. The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to the Association as the existing property.

The cash flows are derived from the Business Plan and do not include restructuring activities that the association is not yet permitted to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. Following the assessment of impairment, no impairment losses were identified in the reporting period.

c. Pension And Other Post-Employment Benefits

Until May 2016 staff were on various schemes, depending on when they joined the organisation; including, a final salary scheme, career average earnings and defined contribution. The final salary scheme and career average earnings schemes closed in May 2016.

The pension scheme offered from May 2016 being a defined contribution scheme.

The table below shows the minimum contribution levels set by law, and the dates when they increase:

Legal Minimum Contribution Amount	Employee Contribution*	Employer Contribution	Total Minimum Contribution
Before April 2018	1%*	1%	2%
April 2018 – March 2019	3%*	2%	5%
From April 2019	5%*	3%	8%

As EPIC pays an employer contribution of 5%; employees are required to pay a reduced contribution in order to maintain/attain the minimum contribution level; up to an optional maximum of 5% per annum.

The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 16.

Principle Accounting Policies (continued)**(d) Other Key Sources Of Estimation and Assumptions****a. Tangible Fixed Assets**

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.

(e) Turnover and Revenue Recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and for its investment function Homes England, and other income and are recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for let, net of voids.

(f) Service Charges

Service charge income and costs are recognised on an accruals basis. The Association 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. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

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.

(g) 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

These 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.

(h) Taxation

The Association gained charitable status on 2 April 2008 and therefore its general activities fall outside the scope of the United Kingdom Taxation legislation. The Association is exempt for VAT purposes.

(i) Housing Properties

Tangible fixed assets are stated at deemed cost or cost, less accumulated depreciation. The Association has elected to use a previous GAAP valuation of the housing properties as deemed cost on transition to FRS102.

Freehold land and leasehold properties are 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.

Principle Accounting Policies (continued)**(i) Housing Properties (continued)**

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

UELs for identified components are as follows:

	Years
Housing Structure	100
Roof	60
Windows	25
Bathrooms	30
Kitchens	20
Boilers	15
Heating Distribution Systems	30
Electrical Rewires	30

All properties and land are freehold.

Other Tangible Fixed Assets

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

	Years
Freehold Offices	50
Office furniture	10
Office equipment	4
Tools and equipment	2
Computer equipment	2
Capital computer equipment	5
Solar panels	25

Freehold land held for development is not depreciated.

The Association has elected to use a previous GAAP valuation of the freehold offices as deemed cost.

(j) Capitalisation of Interest and Administration Costs

No interest or administration costs are capitalised. There is potential to capitalise administration costs if directly attributable to development.

(k) Property Managed By Other Parties

Where the Association carries the majority of the financial risk on property managed by other parties, income arising from the property is included in the Statement of Comprehensive Income Account.

The assets and associated liabilities are included in the Association's Statement of Financial Position.

(l) Leasing

Payments for operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

(m) Investments

Investments held in subsidiaries are stated at cost less accumulated impairment and are included in fixed assets. Current asset investments include cash and cash equivalents invested for periods of more than 24 hours. They are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the statement of comprehensive income.

Principle Accounting Policies (continued)**(n) Short-Term Debtors and Creditors**

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

(o) Non-Government Grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as turnover.

(p) Social Housing Grant and Government Grants

Where acquisitions have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in turnover over the estimated useful life of the associated asset structure (not land), under the accruals model.

SHG must be recycled under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by Homes England. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

(q) Non-Monetary Government Grant

On disposal of assets for which non-monetary government grants are held as liabilities in the Statement of Financial Position, the unamortised amount in creditors is derecognised and recognised as income in the Statement of Comprehensive Income.

(r) Recycling of Capital Grant

Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties, where recycled grant is known to be repayable it is shown as a creditor within one year.

(s) 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.

(t) Retirement Benefits

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

The Association participates in the Social Housing Pension Scheme ('SHPS'), a defined benefit multiemployer pension scheme administered by TPT Retirement Solutions ('TPT').

(u) Reserves Policy

The Association is able to freely utilise the revenue reserves to further its objectives. In line with our approved Business Plan, we are currently utilising our reserves for acquiring and refurbishing properties for rent at affordable levels. When reviewing any opportunities we need to ensure that whilst fulfilling the Association's objectives and aims that they are also financially viable in the longer term.

(v) Financial Instruments

All loans held by the Association are classified as basic financial instruments in accordance with FRS 102. They are measured at transaction price plus transaction costs initially; and subsequently at amortised cost using the effective interest rate method. Loans repayable within one year are not discounted.

Principle Accounting Policies (continued)**Financial Assets****Trade and Other Debtors**

Trade and other debtors (including accrued income) which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment loss.

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

Financial Liabilities**Trade and Other Creditors**

Trade and others creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price less any amounts settled.

All loans held by the Association are classified as basic financial instruments in accordance with FRS102.

Derecognition of Financial Assets and Liabilities

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

1. Turnover, cost of sales, operating expenditure and operating surplus
2020

	Turnover £	Cost of sales £	Operating expenditure £	Operating surplus £
Social housing lettings (note 2)	4,524,811	-	2,890,153	1,634,658
Activities other than social housing	-	-	-	-
Total	4,524,811	-	2,890,153	1,634,658

2019

	Turnover £	Cost of sales £	Restated Operating expenditure £	Operating surplus £
Social housing lettings (note 2)	4,164,319	-	2,734,425	1,429,894
Activities other than social housing	-	-	-	-
Total	4,164,319	-	2,734,425	1,429,894

2. Turnover and operating expenditure

	General Needs 2020 £	General Needs 2019 £
Income		
Rent receivable net of identifiable service charges	4,342,466	4,001,972
Service charge income	119,394	112,412
Net rental income	4,461,860	4,114,384
Sundry income	-	-
Total turnover from social housing lettings	4,461,860	4,114,384
Amortised government grants (Note 15)	62,951	49,935
Turnover from social housing lettings	4,524,811	4,164,319
Operating expenditure		
Management	1,380,445	1,305,997
Service charge costs	143,356	130,777
Routine maintenance	418,052	422,928
Major repairs expenditure	168,550	168,076
Bad debts	42,695	37,246
Depreciation of Housing Properties (Note 6)	737,055	669,401
Operating expenditure on Social Housing Lettings	2,890,153	2,734,425
Operating surplus from Social Housing Lettings	1,634,658	1,429,894
Void Losses	25,827	23,954

3. Accommodation owned, managed and in development

	No. of properties		No. of properties	
	Owned	Managed	Owned	Managed
	2020		2019	
Social Housing				
Under Management at the end of the year:				
General needs housing – Social Rent	954	-	954	-
– Affordable Rent	165	-	161	-
– Intermediate	73	-	42	-
– Leasehold	20	-	20	-
General needs housing – In development	13	-	9	-
	1,225	-	1,186	-

4. Accommodation managed by others

EPIC owns property managed by other bodies.

	No of properties	No of properties
	2020	2019
General needs – Social Rent	8	8

5. Interest and financing costs

	2020	2019
	£	£
Deferred benefit pension charge	21,000	20,000
Loan Arrangement Fees	64,711	33,120
Loan Interest Payable	156,334	84,083
	242,045	137,203

6. Surplus on ordinary activities

	2020	2019
	£	£
The operating surplus is stated after charging/(crediting):-		
Annual audit of the Association's financial statements	13,932	13,200
Fees payable to the Association's auditor for other services to the Association:		
Taxation compliance services	-	-
Operating lease rentals – Office equipment	3,125	4,166
Depreciation of housing properties	737,055	669,401
Depreciation of other fixed assets	56,391	53,968

7. Key Management Personnel

	2020 £	2019 £
The aggregate emoluments paid to or receivable by Directors and the executive management team	368,618	307,444
The pension contributions paid to the key management personnel	17,469	13,674
The emoluments paid to the highest paid Director excluding pension contributions	118,327	110,052

The Chief Executive is an ordinary member of the pension scheme. The pension scheme offered from May 2016 was a defined contribution scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by EPIC of £5,634 (2019: £5,502) was paid in addition to the personal contributions of the Chief Executive.

Key Management Personnel are defined as the members of the Board (who do not receive any remuneration) and the Chief Executive, Finance Director, Operations Director, Systems Manager, Compliance Manager and Asset Manager.

8. Employee information

	2020 No.	2019 No.
The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was:		
Office staff	21	19
Wardens, caretakers and cleaners	-	-
Total employees	21	19
Staff costs		
Wages and salaries	732,040	657,638
Social security costs	73,170	65,361
Other pension costs (Defined benefit & defined contribution treated as defined benefit)	43,553	35,934
Total Employee Costs	848,763	758,933
Aggregate number of full-time equivalent staff whose remuneration exceeded £60,000 in the year		
£80,001 to £90,000	1	1
£110,001 to £120,000	1	1

9. Tangible fixed assets

	Social Housing Properties for Letting Completed £	Social Housing Properties Purchased Not Completed For Letting £	Land and Property held for Development £	Freehold offices £	Office Furniture and equipment £	Total £
Cost/Deemed Cost						
Structure & Components at start of the year	39,541,680	889,657	26,000	104,466	527,178	41,088,981
Additions to properties acquired	-	4,471,665	-	5,138	-	4,476,803
Works to existing properties	878,133	-	-	-	-	878,133
Components replaced	(212,920)	-	-	-	-	(212,920)
Disposals	(137,202)	-	-	-	-	(137,202)
Transfers to Completed	4,116,397	(4,116,397)	-	-	-	-
At the end of the year	44,186,088	1,244,925	26,000	109,604	527,178	46,093,795
Depreciation and impairment						
At start of the year	6,418,810	-	-	10,423	307,141	6,736,374
Charge for the year	685,582	-	-	2,180	54,211	741,973
Components replaced	(161,447)	-	-	-	-	(161,447)
Disposals	(16,559)	-	-	-	-	(16,559)
At end of the year	6,926,386	-	-	12,603	361,352	7,300,341
Net book value at 31/03/20	37,259,702	1,244,925	26,000	97,001	165,826	38,793,454
Net book value at 31/03/19	33,122,870	889,657	26,000	94,043	220,037	34,352,607
					2020	2019
					£	£
Components capitalised					878,133	639,347
Amounts charged to expenditure					168,550	168,076

10. Fixed asset investments

	2020	2019
	£	£
At start of the year	1	1
Additions in the year	-	-
At end of the year	1	1
Net book value at end of the year	1	1
Net book value at start of the year	1	1

The Company owns 100% of the issued share capital of EPIC Regeneration Services Limited, a company incorporated in England and Wales. This Company has aggregate capital and reserves of £1 and has been dormant since incorporation.

Under the provision of section 371 of the Companies Act 2006 the Association is exempt from preparing consolidated accounts and has not done so. Therefore these accounts show information about the Association as an individual entity.

11. Trade and other debtors

	2020	2019
	£	£
Rent arrears	99,153	87,309
Less: Provision for bad debts	(72,710)	(64,774)
Other Debtors	81,599	187,941
Prepayments and accrued income	382,611	416,812
Debtors	490,653	627,288

All debtors are due within one year.

12. Cash and cash equivalents

	2020	2019
	£	£
Money market investments	13,585	13,551
Cash at bank and in hand	3,454,116	1,452,925
Total	3,467,701	1,466,476

Included in the above are balances totalling £101,848 (2019:£100,886) which are held on trust for Leaseholders.

13. Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	145,099	63,276
Deferred capital grant (Note 15)	62,951	49,935
Rents and service charges paid in advance	189,657	145,865
Service charge balances held on behalf of leaseholders	101,714	100,752
Accruals and deferred income	267,816	478,658
Loans and overdrafts	279,444	158,728
Other creditors	937	1,578
Total	1,047,618	998,792

Loans are secured by housing properties, see note 24.

14. Creditors: amounts falling due after more than one year

	2020	2019
	£	£
Deferred Capital Grant (Note 15)	6,042,908	4,817,274
Loans	8,355,210	4,692,341
Recycled Capital Grant Fund	81,774	70,000
Total	14,479,892	9,579,615

Loans are secured by housing properties, see note 24.

15. Deferred capital grant

	2020	2019
	£	£
At start of the year	4,867,209	3,295,037
Grant received in the year	1,321,601	1,672,107
Grant transferred Re Property Disposals	(20,000)	(50,000)
Amortised in the year	(62,951)	(49,935)
At the end of the year	6,105,859	4,867,209
Amount due to be released < 1 year	62,951	49,935
Amount due to be released > 1 year	6,042,908	4,817,274
Total	6,105,859	4,867,209

16. Provision For Liabilities – SOCIAL HOUSING PENSION SCHEME

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

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026. The SHPS Employer Committee and the SHPS Scheme Committee are preparing for the 2020 valuation.

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

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)

	31 March 2020 (£000s)	31 March 2019 (£000s)
Fair value of plan assets	2,687	2,578
Present value of defined benefit obligation	3,083	3,476
Surplus (deficit) in plan	(396)	(898)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(396)	(898)

KEY ASSUMPTIONS

	31 March 2020 % per annum	31 March 2019 % per annum
Discount Rate	2.34%	2.38%
Inflation (RPI)	2.53%	3.23%
Inflation (CPI)	1.53%	2.23%
Salary Growth	2.53%	3.23%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2040	22.9
Female retiring in 2040	24.5

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME (OCI)

	Period from 31 March 2019 to 31 March 2020 (£000s)	Period from 31 March 2018 to 31 March 2019 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	(20)	59
Experience gains and losses arising on the plan liabilities - gain (loss)	(28)	39
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	28	(9)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	461	(248)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	441	(159)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-	-
Total amount recognised in Other Comprehensive Income - gain (loss)	441	(159)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period from 31 March 2019 to 31 March 2020 (£000s)	Period from 31 March 2018 to 31 March 2019 (£000s)
Defined benefit obligation at start of period	3,476	3,196
Current service cost	-	-
Expenses	4	4
Interest expense	83	83
Member contributions	-	-
Actuarial losses (gains) due to scheme experience	28	(39)
Actuarial losses (gains) due to changes in demographic assumptions	(28)	9
Actuarial losses (gains) due to changes in financial assumptions	(461)	248
Benefits paid and expenses	(19)	(25)
Liabilities acquired in a business combination	-	-
Liabilities extinguished on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Exchange rate changes	-	-
Defined benefit obligation at end of period	3,083	3,476

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	Period from 31 March 2019 to 31 March 2020 (£000s)	Period from 31 March 2018 to 31 March 2019 (£000s)
Fair value of plan assets at start of period	2,578	2,392
Interest income	62	63
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(20)	59
Employer contributions	86	89
Member contributions	-	-
Benefits paid and expenses	(19)	(25)
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
Exchange rate changes	-	-
Fair value of plan assets at end of period	2,687	2,578

17. Capital commitments

The table below shows the financial implications and sources of funding to deliver the signed contracts with Homes England.

	2020 £	2019 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	260,810	117,921
Capital expenditure that has been authorised by the Board but has not yet been contracted for	3,805,000	13,562,000
Capital commitment required by 2021	4,065,810	13,679,921
EPIC expects these commitments to be financed with:		
Triodos loan facilities in place & undrawn as at year end	2,663,000	9,000,000
Cash & equivalents (Above £650k cash minimum as at 31/03/20)	-	792,000
Social housing grant (In line with spend)	1,142,000	3,770,000
Internally generated resources (Revenue reserve)	260,810	117,921
Total	4,065,810	13,679,921

18. Operating leases

The Association holds office equipment under non-cancellable operating leases. At the end of the year the Association had annual commitments under these leases as follows:-

	2020 £	2019 £
Others		
In one year or more but less than two years	-	3,125
In two years or more and less than five years	-	-
In five years or more	-	-
Total	<u>-</u>	<u>3,125</u>

The lease agreements do not include any contingent rent or restrictions.

19. Contingent liability

If EPIC were to withdraw from all forms of the Social Housing Pension Scheme it has been calculated that our debt on withdrawal would be £3,479,310 (2019:£3,312,584). We have no plans to exit from the scheme at the present time.

20. Grant and financial assistance

	2020 £	2019 £
The total accumulated SHG received or receivable at 31 March:		
Held as deferred capital grant	6,295,144	4,993,543
Total	<u>6,295,144</u>	<u>4,993,543</u>

21. Related parties

EPIC Regeneration Services Limited, a company registered in England & Wales, is 100% subsidiary of the Association. EPIC Regeneration Services Limited was dormant throughout the current and previous financial year.

22. Surplus/ (deficit) on disposal

Two houses and one flat have been sold in the current financial year under the Right to Acquire (RTA).

	2020 £	2019 £
Sale Proceeds	172,500	202,000
Less:		
Associated selling fees	(2,553)	(4,140)
Transfer from revaluation reserve	-	-
Transfer to disposal proceeds fund	-	-
Recycled capital grant fund		
Write out cost (NBV)	(162,669)	(145,342)
Profit on Disposal	<u>7,278</u>	<u>52,518</u>

23. Recycled capital grant disposal proceeds fund

	2020 £	2019 £
Opening balance property disposal fund	70,000	20,000
Inputs: Grants recycled	46,774	50,000
Withdrawals	(35,000)	-
At the end of the year	<u>81,774</u>	<u>70,000</u>

24. Loans

At the financial year end, EPIC had drawn down all of the initial £5m loan facility and £4m of the additional facility with Triodos Bank. The loans are secured against part of EPIC housing's stock, over a 25 year term, and is on a fixed interest basis.

Maturity of debt	2020 £	2019 £
In less than one year	279,444	158,728
In more than one year but less than two years	286,315	162,499
In more than two years but less than five years	904,860	511,026
In greater than five years	7,164,035	4,018,816
Total	8,634,654	4,851,069

Interest rate risk

Further to the Audit & Risk Committee (ARC) meeting of 19 February 2020, the Committee recommend that the current £9 million of drawn funds be converted from variable rate to fixed rate for a term of 10 years. In addition, they recommended that the further undrawn funds be drawn on a fixed rate basis at the time of draw down for a period of 3 years, if the Senior Management Team agree that this is favourable at the time of drawing.

It was unanimously agreed that the above actions will maximise the current very favourable fixed rate terms available; in addition to mitigating any risk to the variable rate fluctuation in these changeable times.

On 20 March 2020 a 'Fixed Rate Request' was issued to Triodos Bank; and signed in accordance with the mandate. The Board having agreed to accept the fixed rate on the condition that the fixed rate margin does not exceed the ceiling rate agreed by the Board of 1.25%, before adding the respective margins of 1.6% + 1.7% along with a 0.1% Fixed Rate Premium.

The following amounts were fixed on 20 March 2020:

Facility 1	- £4,706,186.36 - 2.553%
Facility 2	- £3,954,291.77 - 2.653%
Combined	- £8,660,478.12

Interest rate exposure

EPIC Treasury Management & Investment Policy sets out that when looking at any aspect of interest rate exposure, it is important to remember that overall interest rate risk management is about reducing risk and increasing certainty. It is not about best guessing or predicting the way interest rates will move. Further borrowing may consist of a mixture of both fixed and variable interest rates; with an option to switch variable rates to fixed rates in the event of significant changes in market conditions.

Any borrowings will be determined following a financial review of the market views of the Bank of England (BoE), the BoE Monetary Policy Committee and Information Handling Service Economics.

The rate of interest payable when terms are agreed shall not exceed the rate of interest, which in the opinion of the Board, or the Association's advisors, represents the market rate of interest for borrowings of a similar amount and on similar terms, at that time. The Board will be notified of any significant changes in market conditions, which may impact on this.

The Board will provide direction to the Finance Director in regard to defining a trigger/control in the event of significant changes in market conditions requiring the consideration of funds drawn and un-drawn being switched from a floating to fixed rate.

Any sensitivity analysis will be applied to all variable rate borrowing and to any fixed term borrowing after its maturity date, using market forecast rates.

The Board must approve the use of hedging instruments subject to the Rules of the Association and the regulators guidelines/approval. In such cases a hedging strategy must be prepared and appended to the Treasury Management & Investment Policy, which must state the type of instruments to be used, the value limits, the counterparties involved and the periods for which they will be in place.

25. Financial instruments

The Associations financial instruments may be analysed as follows:

Financial assets	2020	2019
	£	£
- Trade receivables	409,053	439,347
- Other receivables	81,599	187,941
- Investments	13,585	13,551
- Cash and cash equivalents	3,454,116	1,452,925
Total financial assets	3,958,354	2,093,764
Financial liabilities	2020	2019
	£	£
- Loans payable	8,634,654	4,851,069
- Trade creditors	849,453	840,064
- Other liabilities	6,174,618	4,887,274
Total financial liabilities	15,658,725	10,578,407

Financial assets measured at amortised cost comprise trade debtors, other debtors and cash and Investments.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, other creditors and accrued expenditure.

26. Post balance sheet events

There are not any significant balance sheet events to report that are not in line with our established Business Plan.