Flagship Group

31 King Street, Norwich, Norfolk NR1 1PD
Regulator of Social Housing Registered No. 4651
Co-operative and Community Benefit Societies Act 2014 Registered No. 31211R

Consolidated Annual Report and Financial Statements

for the year ended
31 March 2021

flagship-group.co.uk

> We provide homes and create sustainable communities

Contents

Board of Management, Executive Team and Advisers

The company's non-executive and executive management team are detailed below:

Member		Board	GARC	F&T	H&S	P&C	SRG+
Hawes, P.	N	Chair					Chair
Burton, P.	N	Vice Chair				✓	
Baynham, P.	N	✓		Chair			
Bennett, R.	N	✓	Chair	✓*		✓*	✓
Cook, S.	N	✓					
Jamieson, D.	N	✓	✓		Chair		✓
Peak, M.	N	✓					
Remington, P.	N	✓		✓		Chair	
Taylor-Brown, C. (resigned 30 July 2021)	N	✓	✓^				
McQuade, D. (Chief Executive Officer)	E	✓					✓
Walsham, H. (Deputy Chief Executive Officer)	E	✓			✓		
Archibald, J. (Chief Strategic Officer)	E	✓			✓		✓
Armstrong, D. (Chief Financial Officer)	E	✓		✓			
Cook, P.	A		✓			✓	
Marcus, E.	S						

Key:

N Non-Executive Director;
E Executive Director;
S Company Secretary;
A Board Adviser & Committee Member

GARC Governance, Audit & Risk Committee;
F&T Finance & Treasury Committee;
H&S Health & Safety Committee;
P&C People & Culture Committee
SRG Safety Reference Group

* Bennett, R. was a member of the Finance & Treasury Committee and the People & Culture Committee until 31 March 2021.
^ Taylor-Brown, C. joined the Group Audit & Risk Committee on 1 April 2021.
\+ The Safety Reference Group was formed on 27 February 2020.

Advisers:

Registered Office: 31 King Street, Norwich, Norfolk NR1 1PD

Internal Auditors: KPMG, Dragonfly House, 2 Gilders Way, Norwich NR3 1UB

External Auditor: Mazars LLP, First Floor, Two Chamberlain Square, Birmingham B3 3AX

Bankers: National Westminster Bank, 21 Gentleman's Walk, Norwich, Norfolk NR2 1NA

Group Funders: The Royal Bank of Scotland; Santander UK; The Co-operative Bank; Nationwide Building Society; The Housing Finance Corporation; Clydesdale Bank; Lloyds Bank; M&G Investment Management; Canada Life

Chair's Statement

Peter Hawes, Chair

In every sense the past year was extraordinary and challenging. The worldwide pandemic, alongside a particularly malicious cyberattack, caused substantial disruption in all areas of our business. Disruption which has been tough for all and yet, our people – those that work in our communities, in our houses and in our offices – everyone who works for Flagship Group has maintained momentum and commitment to continue to deliver services and support to our customers, despite the difficulties faced navigating the COVID-19 restrictions and the IT infrastructure downtime. I am grateful to them all.

Our COVID-19 support took many forms. We stayed connected to all our housing tenants with updates via letter, social media and through our websites, and we called our most vulnerable tenants to make sure they were okay. We launched Hopestead, a charity focused on eradicating homelessness in the East of England – something which can't be done by just providing housing alone – and sadly, an issue that has been exacerbated by the events of 2020. During the year we also helped 700 families at risk of losing their home and gave financial support to cover the cost of fuel to tenants in hardship.

Throughout the pandemic we supported our furloughed staff by ensuring everyone received 100% of their salary. Alongside that, we also recognised any member of the team who worked throughout the lockdowns to ensure that our services continued to the fullest extent possible. We took all precautions necessary to protect our staff with most of them working from home and for those that did work in our offices we ensured that systems were put in place to keep them safe. We introduced new and innovative wellbeing and engagement initiatives to make our staff feel connected as they worked remotely.

Despite these challenges we delivered some significant results. We maintained our G1:V1 with the Regulator of Social Housing and once again retained a healthy Moody's credit rating. Our turnover increased on the previous year's performance to £200.2m (2020: £188.2m) and we achieved £46.1m (2020: £62.3m) net profit, which we will reinvest into providing more affordable homes in the East of England. The Group's performance was further supported by its share of profits from its joint venture investments with Evera Homes LLP ('Evera') and Lovell Flagship LLP ('Lovell Flagship'). Evera continued to sell homes at its De Havilland Gardens site, as well as preparing a number of new pipeline sites including the acquisition of a 70-acre site in Littleport, Cambridgeshire for the development of 680 homes. Lovell Flagship started building and selling homes at William's Park in Wymondham, Norfolk, a development providing 335 new homes, 224 homes for open market sale and 111 homes for affordable rent and shared ownership. The group is also investing in a £24.3m project which will provide 157 new affordable homes in Rackheath, Norfolk. Furthermore, we started on site in Stowmarket, Suffolk to deliver 240 new homes, including 60 affordable homes, through a partnership with Hopkins Homes. As a group we delivered 460 new affordable homes during the year ended 31 March 2021 which included 43 at Laundry Loke, Norfolk, transforming a site that had been derelict for over 15 years.

> **"We remain as focused as ever on providing outstanding services to our tenant**

The pandemic accelerated emerging trends and our focus on digital became even more important. We made quick and decisive action and mobilising the business in extreme circumstance gave us the skills and opportunity to reset and accelerate our digital agenda to meet the raised expectations of our customers. Automation and the use of Artificial Intelligence helps create the capacity our people need to continue to add human value. However, we know it's not enough to simply digitise existing processes; we are using data and insights to create a more predictive and proactive service for our customers – giving them the choice to connect with us in the way they want.

We also accelerated our environmental agenda, investing in renewable heating systems for some 160 properties in Felixstowe and Watton. As a result, our tenants are enjoying reduced energy bills and energy use has been cut by 70% making a significant impact on carbon emissions. We secured £0.8m from the government's Green Homes Grant to help improve the energy efficiency of low-income households, secured by the Suffolk consortium of local authorities' successful £3m bid. Signing a contract with Switchee to connect 20,000 properties with a smart thermostat, helped to lower fuel costs and become more proactive in fixing issues before they affect tenants. It's an especially challenging time for people right now, and by making our homes more affordable and tackling the real issue of fuel poverty we are laying the foundation for a sustainable future. Whilst we achieved a SHIFT silver award, we know we still have a very long way to go to meet the government's target of net zero by 2050.

We are committed to being an employer that is fully representative of the community we serve, where everyone can realise their potential, and to be fully inclusive, valuing and celebrating the diversity of our workforce. We increased our efforts on the health and wellbeing of our staff and provided employees with support and resources such as a counselling service and flexible working hours. It is perhaps no surprise, therefore, to see increases in employee engagement, from 8.1 to 8.3 and an impressive 85% stated they would recommend Flagship as a great place to work. We launched an in-house Academy in January – one more important step on our journey to contribute to the workforce of the future – providing opportunities for our staff to develop, learn and fulfil their potential.

Suffolk Housing saw its first year of operation within the Group and we set about transforming our business by spreading our homes evenly across our three housing association brands to provide a service that enhances our local presence in our tenants' communities; a more personalised experience designed around the tenant. We achieved a Net Promoter Score of +26 in 2020-21 and we hope that this new approach to service delivery will help us advance our score further this year.

Our work over the last 12 months continues to be aligned to the priorities of our strategy and it was good to see that bad debts and voids finished below the 2% forecast, with bad debts at 0.7% and voids at 1.1% of our social housing rental income. Disappointingly, but not surprisingly, arrears finished the year at 3.9% compared to 3.8% from the previous year. These key areas were impacted both by the pandemic and the cyberattack and we are focusing on improving our performance and the services delivered to our tenants.

This has been a turbulent year – one we could never have imagined, and we have all been tested, personally and professionally. I hope we never see another year like it. We remain as focused as ever on providing outstanding services to our customers and in the year ahead we will work together in a focused way to achieve more – better – concentrating on tackling the stigma of how people view social housing, giving our tenants a voice that is heard and ensuring our tenants feel safe and secure in their homes.

Finally, I would like to thank our board members for their continued support. And from our customers and notably our tenants, to our staff, to you – thank you – because every person counts.

Peter Hawes, Chair
31 August 2021

Strategic Report

for the year ended 31 March 2021

The Board of Management (the 'Board') presents its Strategic Report, including its assessment of Value For Money, for Flagship Housing Group Limited (the 'company' or 'Flagship') and its subsidiaries (together the 'Group' or 'Flagship Group') for the year ended 31 March 2021.

The structure of our Group has changed during the year ended 31 March 2021. The changes are explained within the Report of the Board on page 64 and in note 19 on page 124 in the notes to the financial statements.

Our Purpose and Strategy

Despite the uncertainty of the past year, our strategy remains unchanged. We focus on four key areas: our customers, our assets, our finances, and the new supply of housing.

Our action-driven approach centres on our purpose and the reason we exist – to provide homes and create sustainable communities – and on our vision to solve the housing crisis in the East of England. Through better use and maintenance of existing homes, new construction, technology, and effective and imaginative methods for service delivery, we feel we can achieve it.

We will achieve our vision by embodying our values which are to:

- Relentlessly improve our performance
- Spend money wisely
- Employ great people doing great things
- Deliver outstanding customer service

> "We strive to be the best landlord in the UK

This is underpinned by our passion to provide high quality homes as we strive to be the best landlord in the UK. We seek to reinvest any profit we make where it is most needed to enable us to stride forward toward achieving our vision.

The solution can't just be to provide more new homes though, it's also about improving our existing ones and making a difference to our tenants and their communities – creating sustainable communities.

We acknowledge that social housing provision alone will not solve every element of the housing crisis in the East of England – homelessness is an example of this, and a growing area of acute need exacerbated by COVID-19. In response we established Hopestead in the current financial year which aims to end homelessness in the East of England. Through understanding the causes and impacts of homelessness, Hopestead works with partners to address the drivers that underpin the cycle of homelessness, to enable individuals to start the beginning of the rest of their lives.

Collaboration is central to the delivery of our purpose, and, through joint ventures with developers, and partnerships with local authorities and other businesses we are able to create innovative approaches for the supply of housing.

Strategic Report

> These principles will help us model our organisation as we look to the future and embrace transformational changes

Our operating principles

The Board has identified twelve operating principles which are central to the delivery of our purpose.

These principles will help us model our organisation as we look to the future and embrace transformational changes such as delivering greater digital self-service for our tenants, delivering on the government's 2030 and 2050 carbon targets, creating sustainable communities through local service delivery and partnering with and investing in new technologies as we seek to make finite resources go further to solve the housing crisis in the East of England.

- A Flagship with one direction
- A tenant and community focused Flagship
- A Flagship that trusts and invests in its people
- An optimistic and brave Flagship
- A Flagship that thinks differently and has fun
- A Flagship that invests wisely
- A Flagship that holds its teams accountable for local service delivery
- A Flagship that uses data to relentlessly improve
- A Flagship that works with others to achieve its goals
- A Flagship that is resilient and adapts quickly
- A Flagship that is sustainable and responsible for its planet
- An inclusive, kind and respectful Flagship

Strategic Report

Our principal activities

As a Registered Provider of Social Housing our core business is our social housing activities. We deliver our social housing through our three housing brands, Newtide Homes (formally Flagship Homes), Victory Homes (formally Victory Housing) and Samphire Homes (formally Suffolk Housing). Our brands are geographically spread across the East of England enabling us to focus on the needs of all our tenants to deliver a truly local service.

Operating principles

The majority of our housing stock is two and three-bedroom accommodation. Alongside our more traditional social housing product, we also provide a range of extra care and traditional sheltered housing accommodation, shared ownership homes, a small number of market rented homes and some student accommodation rooms.

Our social housing rents are on average 40% lower than weekly private market rents in our two-bedroom properties and 43% lower than weekly private market rents in our three-bedroom properties. Similarly, our rents are between 31% and 42% lower than the Local Housing Allowance rates (depending on property size and location), which are used to calculate housing benefit payments for tenants renting from private landlords with the local authority area that our properties are located. Ultimately this demonstrates our purpose, to provide affordable housing to those in need who may otherwise be homeless as they are unable to access the private rental market.

The Group had 30,849 social housing properties (2020: 30,549), 346 market rented properties (2020: 348) and 600 student accommodation rooms (2020: 600) in the East of England at 31 March 2021.

The Group continues to develop new social housing properties in the East of England and has an ambitious business plan to deliver 4,072 new social housing properties in the next five years.

Flagship Services (which is now part of Flagship Housing Group Limited following the hive-up of RFT Repairs Limited into Flagship Housing Group Limited) is responsible for maintaining and improving the Group's social housing properties to create a place that our tenants can call their home and also protect the future viability of the property for the Group.

However, our Group is diverse, and we deliver a spectrum of services which enable us to continue to proactively invest for the future.

Our development business (now rebranded to Flagship Homes) develops attractive, high quality open market sale properties which generate re-investable capital for the group, enabling us to build more social housing properties. Flagship Homes also manages the sales and after care of our shared ownership property portfolio delivering an end-to-end service for our shared ownership tenants.

The Group continues to deliver its gas servicing, maintenance and capital improvements services through our Gasway Services and Blue Flame (Colchester) brands. They maintain the heating systems in the Group's housing properties but also sell their services to domestic residential customers, other social housing landlords and commercial and local government organisations.

All profits generated from outside of the Group are reinvested into our purpose to enable us to increase the number of properties we can make available to those in need.

Operating principle

Keeping COVID-19 in perspective

Whilst many things have stopped due to COVID-19, the housing crisis in the East of England hasn't gone away. In fact, for many, incomes are under considerable pressure and the social housing sector has an integral role in ensuring that no-one is left without a home. Delivering our purpose is therefore more important now than ever before.

One thing we can be sure of, at some point the pandemic will pass and when the dust settles it will be the work put into (1) maintaining working capital; (2) investing in our people and (3) moving the business forward that will make the difference to the long-term future of the Group.

The Group has embraced change and learnt new ways to serve its customers, collaborate with its partners and work with its employees. It is likely the future delivery of our business will be enduringly different but the foundation which has been built during the pandemic will allow the Group to rebound as the pandemic passes.

Operating principle

The current economic, political and societal conditions as a result of COVID-19 still continue to create uncertainty. However, to some extent, that uncertainty has been normalised and is managed through the wide-reaching societal norm changes we have become accustomed to which enable us to safely deliver our services despite COVID-19. Our Group is stronger now, more resilient than pre-COVID, and able to be a proactive force for positive change in our communities.

As with most organisations, COVID-19 has had a detrimental financial impact on the Group. A reduction in demand for our external gas related services due to COVID-19 restrictions resulted in our gas businesses returning a net profit £0.8m lower than forecast. £1.1m of additional cost has been driven by COVID-19 employment related expenses, such as topping up furlough payments to 100% of employee salaries.

The Group's services have almost returned to normal, and the ongoing financial impact of COVID-19 is being actively managed at an operational level. The Group has stress tested its business plan, with assumptions linked to the impact of COVID-19, identifying that the Group has sufficient liquidity to continue in operation for at least twelve months from the date of signing this report.

Strategic
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Cyberattack

On 1 November 2020 the Group was subject to a ransomware attack. The attackers used the Sodinokibi ransomware to attack the Group's IT systems. This is a highly dangerous and effective ransomware which is capable of defeating and bypassing many security controls. The attackers encrypted information on the Group's servers and placed ransom notes on the servers, detailing how to pay the ransom to unencrypt the servers.

The Group did not pay the ransom demand and recovered the encrypted information from back-up data. To this end, the financial motive behind the attack was unsuccessful.

The Group notified the Information Commissioners Office ('ICO'), the Regulator of Social Housing ('RSH') and the Police promptly upon identification of the attack. The Group wrote to all customers and staff potentially affected by the incident and offered Experian credit monitoring free of charge, which is best practice when faced with a cyberattack where personal data may have been compromised.

The Group engaged a forensic consultant to investigate the attack. The consultant identified that personal data, consisting of names, addresses and email addresses relating to 654 people had been exfiltrated from the Group's servers. All 654 individuals have been contacted notifying them that their data may have been accessed by cyber-criminals. However, the type of data exfiltrated is deemed low risk because on its own, it is of limited use to a cyber attacker.

Ultimately the modus operandi of the cyber-criminal is to encrypt data and to demand a ransom payment, rather than to exfiltrate data.

The forensic review concluded that "overall, we find that Flagship's immediate response upon discovering the cybersecurity breach on 1 November was expeditious and highly effective in isolating key systems and preventing further exfiltration of business data."

In May 2021 the ICO confirmed that it had completed its investigation and was closing its case with no further regulatory action. The RSH has also confirmed that no regulatory action will be taken in respect of the cyber security incident.

The Group's risk management response to the cyberattack incident is discussed in the principal strategic and operational risks on page 21.

Our digital transformation

We want to make it easier for our customers to keep in touch with us and be able to manage their service in a way that suits them best at any time of the day or night. We have formulated an ambitious digital plan and created a dedicated team to accelerate the delivery of new digital solutions which will offer our customers flexibility with how they engage with us, enable us to deliver our services more efficiently and therefore increase our investment in new homes and improving energy efficiency, ultimately helping more people in need of a home.

We are on a journey with our digital agenda. Initially we need to understand what digital solutions we already have, how they might fit into a future digital vision and the services that we believe would really benefit from our digital agenda. Once we have a clear pathway mapped out, to achieve our objectives, we will start to implement improvements to deliver on our digital objectives.

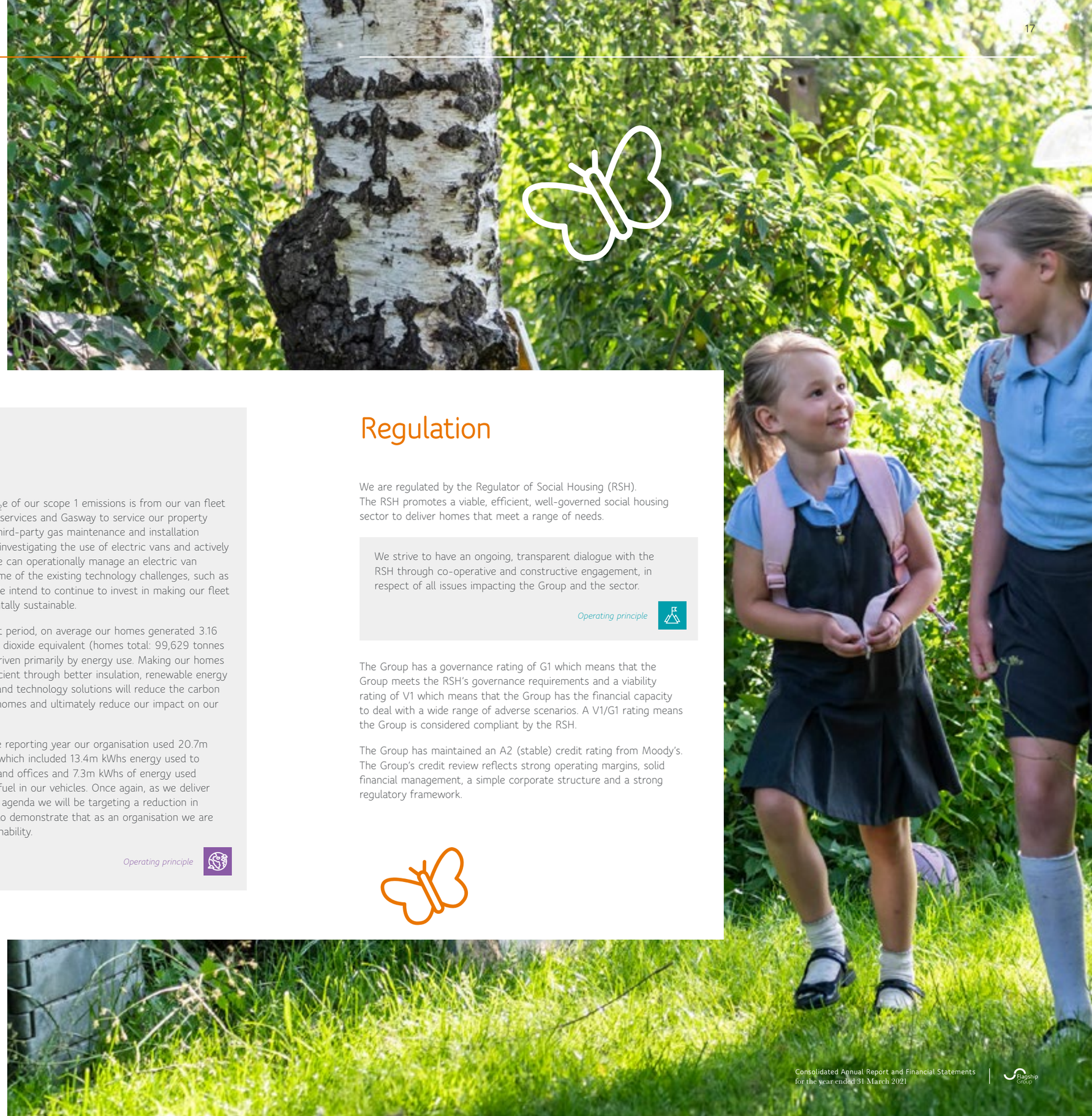
Our primary areas of focus are:

- To create a digital first organisation that helps us reimagine how we deliver services that meet the needs of our customers now and in the future;
- To provide a digital choice, rolling out a suite of easy to use, self-service options across the customer journey;
- Improve our legacy systems to create an ecosystem that supports digital transformation, making sure we have clean and actionable data so we can provide the very best service;
- To automate the mundane and pilot new and innovative ways of working so our staff can do more of the valuable work and spend time with those who need it most; and
- To support and encourage engagement with online services by creating a plan focused on inclusivity, which explores the connectivity, tools and skills needed to increase the adoption of digital for the benefit of our tenants.

> "We have formulated an ambitious digital plan

Operating principle

Strategic
Report



Our environmental impact

Our eighth operational principle is to be a Flagship that is sustainable and responsible for the planet.

We want to reduce our impact on the environment, and we realise that a large portion of our carbon emissions originate from our existing homes. We also acknowledge that our operations create greenhouse gas emissions and are investing in new technologies to reduce our impact on our planet.

We commissioned an annual review (covering 1 December to 30 November) of our emissions which helps us identify where we can deliver sustainability within our business model.

Our greenhouse gas emissions and energy use for the report period were*:

Scope 1	3,399 tonnes CO_2e
Scope 2	1,039 tonnes CO_2e
Scope 3	99,912 tonnes CO_2e

1,753 tonnes CO_2e of our scope 1 emissions is from our van fleet used by Flagship services and Gasway to service our property and deliver our third-party gas maintenance and installation services. We are investigating the use of electric vans and actively reviewing how we can operationally manage an electric van portfolio with some of the existing technology challenges, such as mileage range. We intend to continue to invest in making our fleet more environmentally sustainable.

During the report period, on average our homes generated 3.16 tonnes of carbon dioxide equivalent (homes total: 99,629 tonnes CO_2e) which is driven primarily by energy use. Making our homes more energy efficient through better insulation, renewable energy heating sources and technology solutions will reduce the carbon footprint of our homes and ultimately reduce our impact on our planet.

Finally, during the reporting year our organisation used 20.7m kWhs of energy, which included 13.4m kWhs energy used to heat our homes and offices and 7.3m kWhs of energy used through burning fuel in our vehicles. Once again, as we deliver our sustainability agenda we will be targeting a reduction in these measures to demonstrate that as an organisation we are embracing sustainability.

Operating principle

Regulation

We are regulated by the Regulator of Social Housing (RSH). The RSH promotes a viable, efficient, well-governed social housing sector to deliver homes that meet a range of needs.

We strive to have an ongoing, transparent dialogue with the RSH through co-operative and constructive engagement, in respect of all issues impacting the Group and the sector.

Operating principle

The Group has a governance rating of G1 which means that the Group meets the RSH's governance requirements and a viability rating of V1 which means that the Group has the financial capacity to deal with a wide range of adverse scenarios. A V1/G1 rating means the Group is considered compliant by the RSH.

The Group has maintained an A2 (stable) credit rating from Moody's. The Group's credit review reflects strong operating margins, solid financial management, a simple corporate structure and a strong regulatory framework.

*Scope 1 emissions arise from the group's owned and controlled assets such as vehicles and can be directly managed and influenced by the Group's use of those assets.

Scope 2 emissions are indirect emissions generated from sources such as electricity production which is used to power our offices.

Scope 3 emissions are other indirect emissions which arise from assts owned by the Group but whose use is controlled by others, for example our housing properties. The Group can influence Scope 3 emissions through steps to improve the efficiency of its homes for example.

Strategic Report

Principal strategic and operational risks

Financial performance

Failure to make efficient use of our resources or overstretching financially puts all of the Group's strategic objectives at risk. The Group manages this risk through detailed budgeting and business plan forecasting to manage operational profitability and through proactive monitoring of future cash flow requirements to ensure that the Group has sufficient available liquidity to deliver its strategic goals.

The Group had £799m of debt financing at 31 March 2021. Any reduction in profitability has a direct impact on the Group's bank covenants. At 31 March 2021 the Group had sufficient headroom on all of its covenants and is confident that it will remain fully compliant for the foreseeable future.

At 31 March 2021 the Group could absorb a 20% house price crash, 1.5% higher than forecast inflation (inflation forecast 2022: 0.5%; 2023: 1.5%; 2024 onwards: 2.0%), interest rates 1.5% higher than forecast (interest rate forecast 2022: 0.5%; 2023: 1.0%; 2024 onwards: 2.0%), bad debts at 5% for three years, a four year rent freeze, additional £3m repair spend per year, loss of a major contract, a £2.5m loss as a result of the failure of a contractor on one of the Group's development schemes, a pension deficit increase of £2m per annum and a six month sales lag and would remain compliant with all bank covenants.

Current economic uncertainty continues to elevate cash flow as a strategic risk which warrants disclosure. A fall in revenue or cash collection within our core rental property activities could lead to liquidity pressure for the Group.

The Group has implemented detailed monitoring of rental collection and void property status to accurately forward forecast any future liquidity risk. To date the Group has not seen any significant increase in rental arrears or void properties.

The Group secured a COVID Corporate Financing Facility loan during the year ended 31 March 2021 to increase liquidity and enable the Group to manage the related uncertainty. This loan is repayable during the year ended 31 March 2022.

Housing market volatility

A fall in house prices would reduce the profitability of the Group's open market development activities, which in turn would reduce capital generated through these activities and result in fewer affordable housing properties being developed. The Group actively monitors housing unit development volumes and completed stock levels awaiting sale to manage its exposure risk to house price instability. The Group also monitors open market sale scheme profitability and revenues to identify any early warning signs which may trigger a change in the Group's risk profile. Finally, the Group stress tests its business plan with scenarios that are considered to approximate a worst-case scenario to ensure that the Group can weather future price volatility.

> **“ Health and safety compliance is continuously supported by regular policy and procedural reviews**

Health and safety compliance

Health and safety compliance is an important strategic and operational risk for our organisation ensuring that we protect the safety of all stakeholders in our business and encourage them to thrive.

COVID-19 has created new challenges in the last financial year which we have addressed through new 'safe system of working' practices to ensure our customers and operatives are safe whilst we deliver our services. Our response includes the use of appropriate personal protective equipment, dynamic risk assessments and additional customer communication to ensure a safe working environment for all.

A health and safety control failure could result in injury or death to an employee, customer or other third party resulting in legal action, significant financial penalties, adverse publicity, reputational damage, removal of trading licences and a significant fall in trading activity.

Health and safety compliance is, therefore, monitored continuously supported by regular policy and procedural reviews to ensure that the Group remains at the forefront of health and safety best practice. The Group has continued to invest in regular training through initiatives such as toolbox talks and specific risk-based training courses which are now delivered online. The Group has a robust reporting framework for health and safety accidents and incidents to monitor the Group's compliance.

Strategic Report

People

The Group structure has changed considerably in the last few years with a significant number of employees joining the group. Not having the right people and culture prevents effective integration and will ultimately impair the Group's progress toward delivering its vision and purpose.

The Group has an integration plan in place to build consistent understanding of Flagship's vision and strategy to ensure that everybody at Flagship is travelling in 'one direction'.

The Group launched the Flagship Academy in January 2021 with an increased focus on leadership, training and personal development across the Group – because our people are the future of our business and integral to us delivering our goals.

IT system and data recovery

Failure to manage data properly results in poor decision making and operational inefficiency, potential vulnerabilities which can be exploited by cyber-criminals, adverse impact to front line services, the inability to communicate effectively with customers and the potential for non-compliance fines from the Information Commissioners Office ('ICO').

The Group has a detailed business continuity plan to manage the risk of failure of strategic IT systems, has continuous data back-up in place and undertakes regular data recovery test exercises to be able to respond to IT failure in an efficient well-planned manner.

The Group's Cyber Security Council is co-ordinating, regulating and monitoring the Group's response to cyber security *as well as* implementing mandatory data protection and cyber fraud awareness training for all staff, with additional targeted training to staff in business functions considered higher risk from a data security perspective.

The Group has implemented periodic testing through phishing email links to identify where further training may be required for those individuals who are not identifying the phishing risk and challenging the validity of the email.

The Group is currently undertaking an organisation wide data project to enhance clarity around data ownership, remove duplicate data sources and seek to move toward greater integration of data to deliver operational insights and efficiencies as we seek to future proof our organisation.

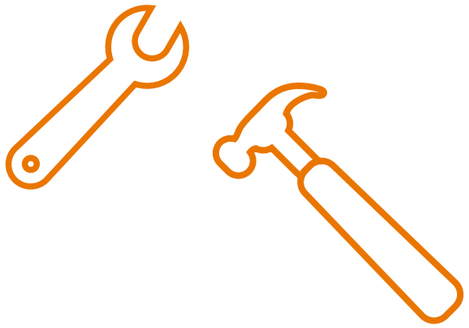
Finally, the ICO made some recommendations upon closure of its investigation. The Group has implemented two of the recommendations at the date of this report and is continuing to work to adopt the remainder of the recommendations in the coming months.

Property maintenance

Failure to provide effective repairs and maintenance services has a detrimental impact on customer satisfaction scores and a potential to result in longer-term damage to housing assets.

The Group continues to closely monitor its outstanding jobs to understand the operational and financial impact of these at any given point in time, which includes an appraisal of the extent of the risk, recognising that outstanding unresolved minor repairs could lead to more serious property condition issues in the future. This could have a future financial impact on the Group through increased future disrepair claims, which is not an efficient use of our resources. It could also impact the wellbeing of our tenants. Therefore, proactive targeted management is essential to deliver value for money for the Group and peace of mind for our tenants.

The availability of materials as a consequence of both COVID-19 and Brexit is an important operational risk for the organisation. The Group is working closely with its supply chain partners to highlight and respond to availability challenges promptly. Supply chain management and strong working relationships remain key to managing this risk.



Strategic Report

> **Our federated structure enables us to deliver a customer and community focused Flagship**

Tenant engagement and our federated structure

Our housing tenants are at the heart of our purpose. Lack of effective tenant engagement results in disenfranchised tenants and poor customer service ratings.

The Group has implemented a federated structure with three housing association brands which focus on geographical areas to improve tenant engagement and enable tenants to be represented in the area in which they live. Each local housing association brand has a local housing board which sets the strategic direction of that brand. Each local housing board has representation from tenants, the Board of Management and local management who oversee the delivery of the day-to-day operation in the local area.

The federated structure in itself carries a strategic risk that the failure to strike the right balance between central control and local autonomy results in conflict and management distraction, ultimately putting social housing assets at risk.

Housing stock is split geographically between the three housing association brands but there is a shared constitution for the local housing boards to promote consistency and an aligned culture and values.

Ultimately our federated structure enables us to deliver a customer and community focused Flagship that holds its teams accountable for local service delivery in an inclusive, kind and respectful way. Our risk mitigation actions above ensure we deliver a Flagship with 'one direction'.

Carbon zero

Failure to budget for increases in housing maintenance costs (related to retrofit property improvements) could result in the Group's failure to achieve increased energy efficiency standards.

The Group has increased its property investment spend in its long-term business plan. The Group has approved a new empty homes standard which standardises the expected specification of a property before it is handed over to a new tenant, enabling the Group to make any improvements required prior to re-letting. The Group is currently developing carbon net zero and estate regeneration strategies.
The Group is also reviewing the standard energy efficiency of its developed properties and seeking to increase the efficiency in those properties today to reduce the requirement for expensive retrofit in the future.

Strategic Report

Group results: Summary of financials

Statement of comprehensive income	2021 £'000	2020 £'000	2019 £'000
Turnover	200,150	188,248	154,274
Cost of sales	(30,103)	(28,501)	(20,096)
Operating costs	(110,427)	(96,426)	(80,484)
Surplus on sale of assets	9,353	8,580	5,949
Profit / (loss) on investment in joint venture	480	(244)	-
Operating surplus	**69,453**	**71,657**	**59,643**
Net interest and financing charges	(25,181)	(23,730)	(22,763)
Surplus / (deficit) on revaluation of investment properties	1,824	(974)	(353)
Gift on acquisition	-	15,339	94,367
Surplus for the year before taxation	**46,096**	**62,292**	**130,894**

Statement of financial position	2021 £'000	2020 £'000	2019 £'000
Fixed assets	1,873,859	1,812,284	1,614,839
Current assets	82,273	84,633	105,702
Current liabilities	(112,685)	(99,011)	(49,168)
	1,843,447	**1,797,906**	**1,671,373**
Financed by:			
Creditors due after 1 year	958,716	957,681	894,037
Other long-term liabilities	19,319	12,754	17,854
Reserves	865,412	827,471	759,482
	1,843,447	**1,797,906**	**1,671,373**

Statement of cash flows	2021 £'000	2020 £'000	2019 £'000
Net cash flow generated from operating activities	76,069	68,364	77,036
Cash flows from investing activities	(72,187)	(86,192)	(63,952)
Cash flows from financing activities	(24,229)	(24,539)	(33,339)
Net cash flow	**(20,347)**	**(42,367)**	**(20,255)**

Strategic
Report

31,833

New Affordable Homes

(2020: 31,534)

Group results: Summary of ratios

Financial ratios	2021	2020	2019
Operating margin - social housing lettings	35.4%	40.0%	40.3%
Operating margin - overall (including gain on disposal of fixed assets and profit from joint venture activities)	34.7%	38.0%	34.8%
Operating costs per home - social housing	£3,210	£2,710	£2,300
Operating costs per home	£3,470	£3,058	£2,853

Key covenant ratios	2021	2020	2019
EBITDA MRI (interest cover)	243%	234%	205%
Net debt per unit	£25,643	£25,132	£24,7945
Gearing (debt / housing properties cost)	46.5%	46.6%	42.3%

Other key performance indicators	2021	2020	2019
Homes in management	31,825	31,529	28,207
Net Promoter Score*	+26	N/A	+28
Current tenant rental arrears	£5.5m	£5.3m	£3.9m
Current tenant rental arrears as a % of income	3.9%	3.8%	3.1%
Average weekly gross rent (52 weeks)	£92.68	£90.39	£91.30
Average re-let time	63.0 days	47.0 days	36.0 days
Rent loss from voids as a % of income	1.10%	0.90%	0.60%
New affordable homes delivered	460	579	443
First tranche shared ownership sales	139	104	66
Staircasing shared ownership sales	32	38	54

* Survey at 31 March 2020 delayed due to COVID-19 explaining why no data is available for that period end.

Strategic Report

Financial performance review

2020/21 has been a year that none of us could have predicted. We faced and recovered from a cyberattack in November 2020 and have persevered through three national lockdowns as a result of COVID-19. These events have impacted all areas of our organisation and have really challenged our resilience.

Despite the challenges faced through 2020/21 the organisation has delivered some superb results.

Here are a few headlines:

Turnover
£200.2m

(2020: £188.2m)

Net Profit
£46.1m

(2020: £62.3m)

Operating Profit
£69.5m

(2020: £71.7m)

Liquidity
£198m

(2020: £106m)

Net Promoter Score
+26

(2019: +28)

Employee Engagement
+8.3

(2020: +8.1)

New Affordable Homes
460

(2020: 579)

The Group has also delivered the followed projects during the last financial year:

- Our federated structure of three local housing association brands – Newtide Homes, Samphire Homes and Victory Homes;
- Simplification of our Group by transferring Victory Housing Trust's engagements to Flagship Housing Group Limited and hiving-up RFT Repairs Limited trade and assets into Flagship Housing Group Limited;
- We insourced repairs and maintenance on former Suffolk Housing Society and Victory Housing Trust properties to Flagship Services delivering a consistent repairs and maintenance service for all our tenants; and
- We have also migrated our IT architecture environment from on-premises to the cloud as part of our recovery from the cyberattack.

The Group's performance for the year ended 31 March 2021 includes twelve months of revenue and costs from what was formally Suffolk Housing Society compared to just three months in the year ended 31 March 2020.

Strategic
Report

> **“ 77% of the Group’s income is generated from its principal trading activity - the provision of social housing**

Income

Whilst the Group has delivered year-on-year revenue growth of 6%, this is primarily driven by an additional nine months of revenue from former Suffolk Housing properties, as well as by the impact of the 2.7% rent increase during the year.

77% of the Group’s income is generated from its principal trading activity - the provision of social housing (2020 - 73%). Social housing lettings income, individually, increased by £15.9m to £153.6m, owing primarily to £12m of former Suffolk Housing property income during the year.

The housing team maintained their strong performance on rent collection, ending the year with a rent arrears percentage of 3.9% (2020: 3.8%), despite COVID-19 impacting the finances of our tenants and the cyberattack derailing our systems for a few weeks in late 2020.

External revenue from our gas servicing businesses fell £4.1m during the year predominantly driven by contract volume reductions because of COVID-19. Consequently, our gas servicing businesses recorded a net loss for the year of £2.3m after taking into account additional costs such as topping furlough salaries up to 100% and additional protective equipment to deliver services safely. We are expecting this revenue stream to return to profitability in 2021/22 and once again deliver a contribution to the Group.

Revenue on open market sales also fell £5.7m year-on-year as delays from the first lockdown resulted in properties not achieving completion by 31 March 2021. This resulted in the Group selling just six open market sale properties during the year ended 31 March 2021 compared to 23 in the prior year. Lower volumes aside, our development business still delivered a 20% gross margin (2020: 28%) on its open market sales, a healthy hurdle rate for open market sales.

Despite revenues falling in some areas, shared ownership first tranche sales increased by £6.7m, a 67% year-on-year increase, and broadly offsets the revenue fall on open market sales. The Group completed the first tranche sale of 137 (2020: 104) shared ownership properties with an average revenue per sale of £120,000 (2020: £95,000). The average shared ownership share purchased in 2021 was 45% (2020: 42%) indicating an increase in average market value of shared ownership units sold.

Expenditure

Cost of sales has increased by £1.6m in 2021 to £30.1m. First tranche shared ownership sales have delivered a £4.1m increase in cost of sales which is offset by the fall in external gas servicing work during the year and the fall in open market sales.

Shared ownership first tranche sales delivered a contribution for the Group of £5.7m (2020: £3.1m) at 31 March 2021 which is a return of 31% (2020: 31%). This generates important re-investable capital that enables the Group to continue developing affordable housing properties.

Operating costs have increased to £110.4m in 2021, an increase of £14m year-on-year. However, circa £6m of this increase relates to a full year of former Suffolk Housing properties being part of the Group. The impact of COVID-19 during the year resulted in less capital improvement works within our properties and therefore employed labour usually utilised to deliver capital improvements, was either redeployed to deliver our emergency repairs services or furloughed at full salary. As such, losses related to a reduction in internal works due to COVID-19 were approx. £3m at 31 March 2021.

Maintenance expenditure for our social housing properties increased by £5.2m to £35.5m but capital improvement expenditure decreased by £8.0m to £20.2m primarily driven by challenges accessing our properties due to COVID-19. We knew our capital improvement spend this year would be lower but we are aware of the impact this is having on our properties and our tenants and are increasing spend in the coming years to accelerate our capital improvements and catch-up for lost time.

Headline social housing cost per unit has increased year on year but this metric can be distorted by merger activity in comparative figures. The cost element is costs incurred during the year, but the denominator is total social housing units owned or managed at the period end. As the Group only had three months of former Suffolk Housing property costs at 31 March 2020 but all its housing properties at the period end, this deflates the social housing cost per unit.

At 31 March 2020 we targeted a social housing cost per unit for the Group of £2,972 in 2021. We have outperformed that target and recognised a social housing cost per unit of £2,817 at 31 March 2021 but this is driven by reduced investment in our social housing stock due to COVID-19 bringing the cost per unit down. We expect our social housing cost per unit to increase considerably in 2022 as a result of our planned increase in investment in our properties.

Strategic
Report

> “ We consider 30% to be a healthy operating margin for us as a group

Profit and margins

Operating profit

The Group achieved an operating profit of £69.5m at 31 March 2021 which is an excellent result given the unprecedented uncertainty and disruption to our services during the year. This performance is marginally short of what we achieved in 2020. Comparing 2020 results we have achieved significantly better operating profits than our peer[1] group which recognised an average operating profit of £45.4m. Alongside a return on capital employed that is broadly consistent with our peer[1] group and consistent year on year this demonstrates that we have a robust business model with strong commerciality and we expect to be able to leverage our financial strength in the coming years as we target our investment to improve our digital offering for our customers, improve the efficiency of our organisation so we can reduce our social housing cost per unit, improve the energy efficiency of our homes and build even more homes for people in need.

Our operating margin (excluding gain or loss on disposal of fixed assets) at 31 March 2021 was 30.0% which was marginally down on 31 March 2020 of 33.5%, driven predominantly by significant challenges faced by our non-social housing activities due to COVID-19.

At 31 March 2020 we targeted an operating margin (excluding gain or loss on disposal of fixed assets) of 32% and we didn't quite achieve that margin due to a loss of £1m arising on our non-social housing activities compared to a £5m profit at 31 March 2020. Whilst this is disappointing it is directly correlated to the turbulence that COVID-19 created during the financial year. We consider 30% to be a healthy operating margin for us as a group and we are targeting a 30% operating margin (excluding gain or loss on disposal of fixed assets) for the year ended 31 March 2022.

Operating margin (social housing lettings only) has reduced from 40% at 31 March 2020 to 35.4% at 31 March 2021. This is a direct consequence of COVID-19 and the cyber-attack we experienced.

The Group has recognised an additional £3m of maintenance expenditure during the year ended 31 March 2021 due to COVID-19 impacting our repairs, maintenance and capital improvement businesses. Our overhead base is geared up for delivering pre-pandemic volumes of work, and therefore COVID-19 has impacted the efficiency of our operations.

The Group also paid a one-off bonus to all staff who were not furloughed because they were responsible for ensuring that the Group continued to deliver its services during the challenging lockdowns. They had to move their work, at short notice, to a home office space and develop new ways to continue to deliver our services from an environment not designed, initially at least, to work efficiently. The cost of the COVID-19 one-off bonus was £0.6m.

The Group also launched its Coronavirus Assist Initiative (to support tenants who were unable to pay their rent due to significant hardship) and at 31 March 2021 had written-off arrears totalling £0.4m on 813 tenancies with an application success rate of 83%, demonstrating the Group's determination to really support its tenants through the uncertainty everyone has experienced in the last year.

We further incurred costs from the cyberattack totalling £0.8m at 31 March 2021. Naturally, these additional one-off expenses during the year have reduced the operating margin on social housing lettings and account for the movement from the prior year.

Net profit per home

At 31 March 2020 we set ourselves a target of delivering a net profit per home of £1,623 or better to support our longer-term asset investment goals. At 31 March 2021 we achieved a net profit per home of £1,449 which, whilst below what we targeted, was an excellent result given the challenges we faced during the year ended 31 March 2021. For context our peer[1] group achieved a net profit per home for the year ended 31 March 2020 of £990 compared to £1,130 in the prior year. We believe that this demonstrates that our business model is efficient and enables further investment in our services as we strive to be a leading force in the social housing sector. We are targeting a net profit per home for 31 March 2022 of £1,797.

[1]Peer group analysis performed using year ending 31 March 2020 date from '2020 Global accounts of private registered providers.'

Strategic Report

Balance sheet

Housing properties

Housing properties, held at depreciated historical cost, are valued at £1.8bn (2020: £1.7bn). During the year the Group invested £80m in development of new social housing properties and £20m in capital improvements to existing properties. The Group disposed of £7m of housing properties which were uneconomic to maintain and recognised a depreciation charge of £25m, to account for the use of its assets.

Our new supply delivered (social housing units) has historically demonstrated that development is an area of strength for us. Our new supply delivered (social housing units) during the year ended 31 March 2021 was 1.5% which is 0.4% below what we achieved in 2020 and 0.2% below what our peers[1] achieved in 2020. The fall year-on-year is predominantly driven by a lower volume of social housing units delivered due to delays as a result of the first COVID lockdown and social distancing requirements during 2020. Had we have been able to deliver our original budget for 2021 our new supply delivered (social housing units) would have been at 2.0%.

Our new supply delivered (social housing unit) objective for 2021/22 is 2.2% and we believe this is achievable from the 547 affordable homes and 146 shared ownership homes we are planning to develop during the year ended 31 March 2022.

[1]Peer group analysis performed using year ending 31 March 2020 date from '2020 Global accounts of private registered providers.'

Investment properties

The Group's investment properties have seen a £1.8m revaluation uplift at 31 March 2021 predominantly driven by the Group's market rented property portfolio valuation.

The Group's market rented portfolio valued at MV-STT increased in value by £2.8m at 31 March 2021 primarily due to reversal of adjustments relating to the forecast impact of COVID-19 in the prior year, such as higher arrears and voids, which were never realised. The Group continuously monitors its rental yield on its market rented properties and has a detailed investment strategy to trigger sale and realise capital gain where the realistic future yield does not offer the return targeted by the Group.

The Group's student accommodation realised a £0.9m revaluation deficit in the year ended 31 March 2021. This Group's student accommodation is predominantly let to language schools who deliver English language tutoring to international students. Naturally COVID-19 travel restrictions have significantly reduced the accommodations utilisation rate. The valuation in the current year assumes that normality may not return for up to a further two years, whereas in the prior year the outlook was forecasting a return to normality within twelve to eighteen months, explaining the valuation fall in the current year.

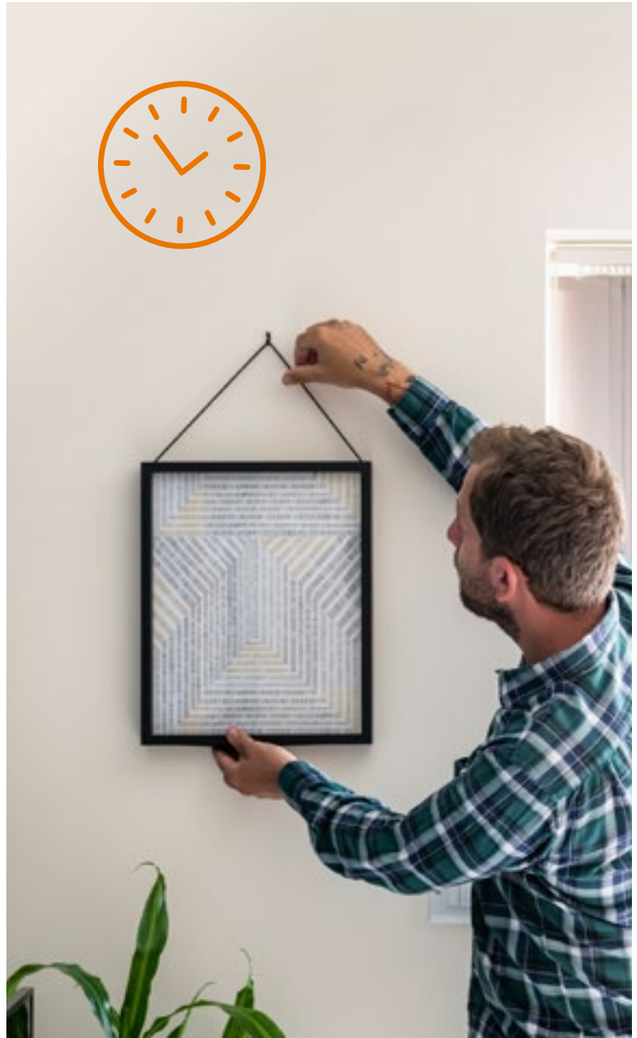
Loans to JV undertakings

The Group continues to invest in development activities by partnering with other organisations to share development risk whilst delivering a greater volume of social housing properties for the East of England.

The Group has active investments in two LLP's, Evera Homes LLP (a 25% share) and Lovell Flagship LLP (a 50% share). Both investments returned a profit share for members during the current financial year. Evera Homes LLP delivered a profit share of £0.4m (albeit £0.2m is the reversal of an impairment from 31 March 2020) and Lovell Flagship LLP delivered a profit share of £0.05m at 31 March 2021.

The Group invested a further £5.4m in its joint venture undertakings during the year taking its total non-current loan receivable from joint ventures to £12.9m.

Both investments are fully performing and the Board is comfortable that no impairment exists at 31 March 2021.



Pension scheme provision

31 March 2020 resulted in significant defined benefit ('DB') pension scheme valuation movements, predominantly driven by a fall in underlying liability assumptions, whilst asset values remained relatively strong.

Naturally the uncertainty created by COVID-19 made it challenging to determine whether the valuation at 31 March 2020 was just a short-term favourable depreciation to liabilities, or a longer-term sustained depression but it is probably fair to say that many felt that liabilities would rebound by 31 March 2021.

That is exactly what has happened, and the Group's DB pension scheme provision has increased by £6.6m to £19.2m at 31 March 2021. This movement is primarily driven by an actuarial loss for the year of £8.2m recognised through other comprehensive income driven by expected increases in salaries and pensions in payment, a forecast rise in inflation and a fall in the discount rate applied. The actuarial valuation loss is offset marginally by employer contributions of £2.2m.

Strategic Report

Treasury

The Group has a Board sub-committee dedicated to the oversight of the Group's treasury strategy. Obtaining third party funding at attractive interest rates, whilst managing the debt risk exposure of the Group, is essential to deliver value for money and protect the future viability of our organisation. The Group's properties, and its day to day working capital, is predominantly financed by loans from debt and capital markets.

The gross amount owed by the Group at 31 March 2021 was £798.5m (2020: £791.5m) with £100m of term debt held at variable interest rates, £676m of term debt held at fixed interest rates and £23m drawn against the Group's £205m revolving credit facility arrangement.

The Group has £182m of unutilised revolving credit facility at 31 March 2021 providing an overall Group liquidity (including cash and cash equivalents) of £198m.

During the year ended 31 March 2021 the Group successfully applied for a loan via the COVID Corporate Financing Facility (CCFF), which was a one-year unsecured loan from the Bank of England at an interest rate of 0.2%.

At 31 March 2021 the Group had assets available to raise an additional £305m of debt.

The Group has, and continues to, meet all covenants of its lending facilities. The Group regularly stress tests its business plan and budgets, enabling it to make strategic decisions as required, to ensure that compliance is maintained with all covenants.

The Group's gearing ratio (a measure of indebtedness calculated as net borrowings as a proportion of housing property net book value) was 46.5% at 31 March 2021 (2020: 46.6%). We expected our gearing to remain broadly consistent during the year as our loan portfolio has remained broadly consistent. We expect our gearing ratio to increase during the year ended 31 March 2022 following the issue of a listed bond in July 2021. Additional information about the bond issue can be found on page 79 disclosed as a subsequent event. The Group continues to trade comfortably within its covenants and its gearing metric is consistent with its long-term business plan assumptions.

Cash Flows

The Group generated cash of £76m from operations during the year ended 31 March 2021 (2020: £68m). The year-on-year increase is driven predominately by timing movements resulting in a decrease in debtors and an increase in creditors during the financial year.

The Group spent £86m (2020: £98m) on housing properties during the year which is equivalent to what the Group spent in 2019 on residential development activities. The Group invested a further £5.4m in its two joint venture interests, Evera Homes LLP and Lovell Flagship LLP and recognised proceeds from housing property disposals of £14.6m during the year.

The Group recognised proceeds from new loans during the year of £50m (2020: £38m) predominantly being the proceeds from the COVID Corporate Financing Facility (CCFF). £43m of loans were repaid during the period (2020: £34m) which was predominantly repayment of utilised revolving credit facility in favour of the CCFF which had a lower cost of borrowing leading to greater liquidity in 2021/22 to invest in our properties and property development activities.

> **"The Group invested a further 5.4m in its two joint venture interests**

Capital structure

Flagship Housing Group Limited is registered under the Co-operative and Community Benefit Societies Act 2014 with registered number 31211R. It has issued share capital of £9 (2020: £9). Each share carries one vote, is not redeemable and does not have any dividend or distribution rights.

Strategic
Report

Value for Money (VFM)

Value for Money ('VFM') underpins the delivery of our purpose and is embedded into our culture. We have undertaken a comprehensive review of VFM for the year. This gives our stakeholders a rounded picture of how we have performed against our aspirations, how we have progressed since last year, and how we intend to deliver VFM in the future. We report on the metrics prescribed by the Regulator of Social Housing enabling comparatives to be drawn between our performance and others in the sector.

Value for Money is built on three core principles:

1. Efficiency

A measure of productivity and assesses the return realised from converting resources into tangible benefits.

2. Effectiveness

A measure of the impact of value for money. This can be quantitative (the amount of effectiveness) or qualitative (the value of effectiveness).

3. Economy

The price paid for providing a service and is a measure of price and quality.

As a Group, our values are geared toward these VFM principles:

Delivering outstanding customer service;

Great people doing great things;

Spending money wisely; and

Relentlessly improving performance.

We are confident that we have complied with the VFM standard in full. Our Board is committed to ensuring that VFM is embedded in both our culture and our decision-making processes.

We achieve this by:

- setting the overall strategic direction and culture of the Group, recognising how important it is to maximise VFM in order to deliver our strategic aims;
- approving key strategies and ensuring that VFM has been considered throughout;
- including VFM targets in our five-year plan;
- benchmarking against our peer[1] Group (20,000 - 40,000 homes), which enables the Board to challenge the organisation to do more;
- reviewing key performance indicators (including VFM indicators) against our five-year plan;
- really understanding our performance each year and by setting challenging objectives for the next financial year.

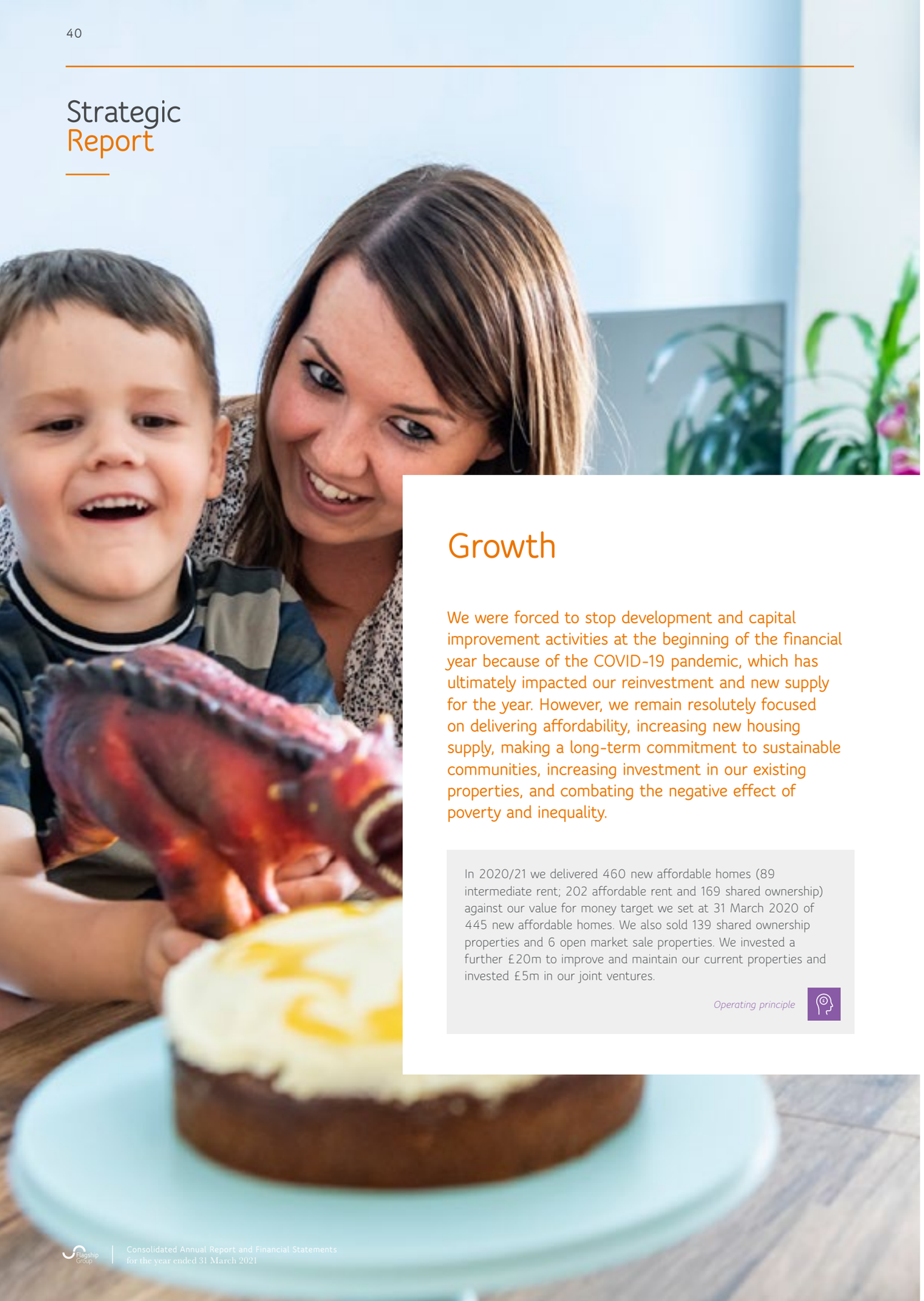
[1]Peer group analysis performed using year ending 31 March 2020 date from '2020 Global accounts of private registered providers'

We use a colour coding system to highlight our VFM performance: Good OK Requires improvement

Absolute and Comparative Costs	2021 Actual	2020 Actual	2020 Peer Group	2020 Actual	2020 Peer Group
Staff engagement score	8.3	8.1	N/A	Good	N/A
New affordable homes delivered	460	579	510	Requires improvement	Requires improvement
Void loss (£m)	1.69	1.09	1.73	Requires improvement	Good
Current tenant arrears %	3.9%	3.8%	4.6%	OK	Good
Operating (loss)/profit from commercial activity (£m)	(1.0)	5.0	N/A	Requires improvement	N/A
Total operating profit (£m)	69.5	71.7	45.4	OK	Good
Net Profit (excluding gift on acquisition) (£m)	46.1	46.9	30.6	OK	Good
Net Profit per Home (excluding gain on acquisition)	1,449	1,489	990	OK	Good
Reinvestment percentage	5.8%	5.9%	7.5%	OK	Requires improvement
New supply delivered (Social housing units)	1.5%	1.9%	1.7%	Requires improvement	Requires improvement
New supply delivered (Non-social housing units)	0.06%	0.07%	0.3%	Requires improvement	Requires improvement
Gearing	46.5%	46.6%	45.7%	Good	OK
EBITDA MRI (interest cover)	243%	234%	161%	Good	Good
Headline social housing cost per unit (£)	2,817	2,693	3,757	OK	Good
Operating margin (overall)	30.0%	33.5%	22.8%	Requires improvement	Good
Operating margin (social housing lettings only)	35.4%	40.0%	28.3%	Requires improvement	Good
Return on capital employed (ROCE)	3.8%	4.0%	3.9%	OK	OK

Key factors affecting our results in 2021 are explained throughout the annual report. COVID-19 had a direct impact on new affordable home delivery due to development delays, lockdown forced cessation of trade for our commercial activities resulted in operating losses which ultimately impacted our operating margins. Our peer group benchmarking is based on pre-COVID-19 peer group data from the year ended 31 March 2020.

Strategic Report



Growth

We were forced to stop development and capital improvement activities at the beginning of the financial year because of the COVID-19 pandemic, which has ultimately impacted our reinvestment and new supply for the year. However, we remain resolutely focused on delivering affordability, increasing new housing supply, making a long-term commitment to sustainable communities, increasing investment in our existing properties, and combating the negative effect of poverty and inequality.

In 2020/21 we delivered 460 new affordable homes (89 intermediate rent; 202 affordable rent and 169 shared ownership) against our value for money target we set at 31 March 2020 of 445 new affordable homes. We also sold 139 shared ownership properties and 6 open market sale properties. We invested a further £20m to improve and maintain our current properties and invested £5m in our joint ventures.

Operating principle

2020/21 was also the first time that the Group recorded profits from its joint ventures with Evera Homes LLP ('Evera') and Lovell Flagship LLP ('Lovell'). Working with Evera we acquired a 70-acre site in Littleport, Cambridgeshire for the development of 680 homes. With Lovell we started building and selling homes at William's Park in Wymondham, Norfolk, a development providing 335 new homes, 224 for open market sale, 94 for affordable rent and 17 shared ownership homes. We have further started a £24.3m project providing 87 new affordable and 70 shared ownership homes in Rackheath, Norfolk. Furthermore, we started on site in Stowmarket, Suffolk to deliver 240 homes, including 31 affordable properties for Flagship Homes and 15 shared ownership homes, through a partnership with Hopkins Homes.

Operating principle

Our vision is ambitious. We are committed to solving the housing crisis in the East of England and to meet the demand for new homes. We acknowledge that we cannot do this alone, but we can play a strategic role by partnering with others to facilitate growth in regional residential development, in turn moving us closer to achieving our vision.

Operating principles

Our growth strategy delivers a balanced portfolio of residential development and improvements to our existing housing stock - to serve the needs of a range of customers – putting our finances to good use by maintaining and improving our stock as well as adding to our asset base. We will build the right homes in the right places and will invest approx. £130 million building 826 new homes comprising of 547 for affordable / intermediate rent, 146 shared ownership and 133 open market sales during the year ending 31 March 2022. This is an increase of 346 new homes when compared to the year ended 31 March 2021.

Operating principle

Alongside our new build residential development programme, we are investing £8m pa to improve the energy efficiency of our homes. This investment reduces the cost of living for our tenants and reduces our carbon footprint as an organisation delivering real value for money for the future. We will further invest approx. £35m in capital improvements to our properties during the year ending 31 March 2022.

Operating principle

The reinvestment value for money metric is a measure of how much a housing association is investing in its housing properties, both to build new properties and improve its existing properties. In 2020 we set ourselves a target of delivering a 5.6% reinvestment percentage during the year ended 31 March 2021. We actually delivered 5.8% in 2021 which means that, despite the challenges of COVID-19, we invested more money in new development and improving our existing homes than we originally thought we would be able to. This demonstrates our resilience and ability to react to uncertain and changing circumstances and is why, we believe, that our tenants trust our judgement. We are committed to increasing the investment in our properties in the coming year and our objective is to deliver a reinvestment percentage of in excess of 7% by 31 March 2022.

Operating principle

We applied to become a strategic partner of Homes England. Together with seven other registered providers, we hope to collectively deliver 14,280 affordable homes for people priced out of the market delivering at least 25% of the homes through modern methods of construction.

Operating principle

Customers

Our customers are diverse. They are our housing property tenants, individuals who purchase our residential development properties as well as individuals and other businesses who access our repairs, maintenance, and capital improvement services. Our aim is to deliver an outstanding service in everything we do, through whatever touch points our customers have with us.

Operating principle

We monitor our performance and listen to our customers to make sure we're always improving what we do. The more we know about how our customers feel about our services, the more we are able to provide a personalised experience, and further shape our services around them.

Our housing tenants form one of our largest customer bases. This year, we've transformed our business, by spreading our homes evenly across our three housing association brands to provide a service that enhances our local presence in our tenants' communities.

Satisfaction

Unfortunately, our service to our customers was disrupted by COVID-19 and collection of feedback disrupted by the cyberattack we experienced. However, we have received an 85% satisfaction rating (2020: 85%) across our services for the year ended 31 March 2021. Following the cyberattack we mobilised an interim solution in our contract centres to collect customer feedback, and, following a review into how we could improve our feedback process, we are rolling out an improved feedback framework in 2021/22.

Operating principle

Each year we invite our tenants to participate in our Net Promoter Score ('NPS') survey. NPS is our chosen strategic customer metric that helps us understand the strength of our relationship with our customers. NPS is most useful to gauge a customer's overall perception of a service or their loyalty to a brand. It is like an annual 'temperature test' and brings together a wealth of actionable insights by just asking one simple question: "how likely would you be to recommend us and why?"

Our annual NPS survey was carried out in September 2020, welcoming former Suffolk Housing tenants for the first time. We received 3,729 unique survey responses, 71% from respondents participating for the first time, against a turbulent backdrop (primarily due to COVID-19), scoring +26 overall. This is against a backdrop of +17 in 2017; +19 in 2018; and +28 in 2019.

Operating principles

We set ourselves an objective at 31 March 2020 to achieve a combined Net Promoter Score of +28 during the year ended 31 March 2021. We have faced some unprecedented challenges during the last financial year, including COVID-19 which has directly impacted our ability to engage face to face with our tenants, and the cyberattack which impacted our ability to provide our customers with the service we want to be able to provide. Whilst we are not making excuses these events have tested our resilience this year but have also strengthened our resolve to make our business more agile through process improvements, technology improvements and through investment in people. We believe that our open and honest communication with our customers secured our net promoter score and that our customers trust us to resolve the challenges we have faced and to continue improving and moving forward.

Therefore, we are pursuing a net promoter score of +30 for the year ending 31 March 2022 as we strive toward our target of +36 by 31 March 2025.

Operating principle

Tenant involvement

The views of our tenants have helped shape Group-wide projects on our websites and our sign-up process which has helped us to understand the best way to address issues for those living in our homes.

Our tenant representatives have helped us shape three key policies: complaints, unacceptable behaviour, and the unreasonable adjustment policy. They have had their say on five key strategic projects, including our new Group strategy, our self-assessment against the Housing Ombudsman's new code, and our action plan following publication in November 2020 of The Charter for Social Housing Residents - Social Housing White Paper. We have also involved other tenants in the recruitment of five new roles and plan to continue with this successful pilot, which has helped us to employ even more great people..

Face-to-face communication was limited during the financial year due to COVID-19 restrictions. The onus was therefore on other methods of communication and this year, our call centres and repair teams handled over 138,000 calls, over 5,000 live chats, processed over 32,000 emails.

We have adapted the way we collect feedback, and even though we've been unable to speak to our tenants face-to-face for most of this year, we have still managed to receive their valuable feedback.

2,802 of our tenants responded to our digital surveys across 15 different topics, and others shared their views across seven targeted surveys about services that are relevant to them or where they live. Furthermore, 105 Victory tenants let us know their thoughts during Victory's Transfer of Engagement consultation.

Getting things right

At Flagship, we take complaints seriously and in July 2020 we adopted the Housing Ombudsman's complaint handling code. This streamlines the process for tenants who need to complain to their social landlord. We have aligned our definition of a complaint with the code, along with our timescales for response and launched two new policies to comply with it: The Reasonable Adjustments to Services policy and the Unacceptable Behaviour policy, both of which were influenced by our tenant representatives.

This year we standardised our complaints handling process to include Gasway and Suffolk Housing customers for the first time which gives us a better understanding of the overall customer experience we deliver. Most complaints we received related to repair issues which were compounded by the access challenges created by COVID-19 and the operational challenges we faced because of the cyberattack. On average, only 2.8% of households raised a complaint during 2020-21.

We saw an 18% increase in MP enquires, with the key themes being anti-social behaviour, time to complete repairs and our scope of service all of which have been impacted in a challenging year.

One of our core values is to relentlessly improve our performance. We believe that digital solutions are the future because they enable us to engage more proactively with a greater number of our customers. We are piloting new ways of engaging with our housing tenants by using a digital solution to hear what matters most to them. As a result, we anticipate an increase in our Net Promoter Score and a reduction in complaints through early dialogue. This will allow us to demonstrate we are listening, understanding, and acting upon our tenants' voices, as well as give them updates on how their input has influenced improvements within our organisation. Ultimately this supports our operating principle of a 'customer and community focused Flagship'.

Strategic Report

Repairs and Maintenance

We know how important it is for our tenants to have a home that is warm, safe, and well maintained. Our multi-skilled specialists across the Group are passionate about delivering an outstanding service, and by working in partnership, we've managed to keep our costs down and our environmental impact low throughout a very challenging year.

This year, RFT Repairs Limited hived-up its business into Flagship Housing Group Limited to align its operations with the individual housing association brands. Now named Flagship Services, it offers a more localised service to our tenants and reduces travel mileage and in turn makes it quicker for operatives to attend to individual repairs.

Operating principle

The way we operate faced significant challenges this year. Both COVID-19 and the cyberattack significantly impacted the level of service we could offer our tenants. That said, from feedback we received, we know that 79% of our tenants felt confident in our decisions to deliver a reduced service safely, with 85% agreed with our approach to suspend routine repairs and planned works and to only attend their property for an emergency or to perform annual safety checks.

We called 1,200 tenants to ensure they were up to date with the changes we have had to make to our planned works because of COVID-19 demonstrating that we care and giving our tenants an opportunity to share their views with us.

Lockdowns throughout the year have resulted in an increase in our repairs backlog. However, despite an increase in repair jobs outstanding we have continued to invest in the quality of our homes and 2020/21 saw us invest £35m on responsive repairs and £20m on capital improvements.

At 31 March 2020 the Group set itself an objective to insource the repairs and maintenance provision of former Victory Housing Trust properties, which was placed on hold in March 2020 due to COVID-19, by 31 March 2021. The Group insourced its repairs and maintenance provision for both former Victory Housing Trust properties and former Suffolk Housing Society properties from 1 April 2021, successfully delivering the objective which was delayed by COVID-19.

Operating principle

Strategic Report

> “We’ve made a saving of approximately £34,200 on buildings materials

Capital works

Brexit and COVID-19 have resulted in a 6% rise in the cost of materials across the UK during the current financial year. Our long-standing relationship with local merchants enabled us to manage our cost inflation exposure by realising a 1.8% increase on £1.9m of spend, saving us approximately £34,200 on building materials during the financial year. This is approximately 1/5 of a new build property or 17 new bathrooms or 11 new kitchens.

Our capital programme was suspended at points throughout the year, and whilst suspended most of our specialists were furloughed. However, our 2020/21 programme concluded with us completing the following against our original investment plan:

- 48% of kitchens;
- 54% bathrooms;
- 88% re-wires;
- 89% external doors;
- 82% pitched roofs;
- 78% consumer units;
- 106% in our window programme;
- 140% in our fire door programme; and
- 100% of our redecoration programme.

Operating principle

In July 2020 we launched a project to review stock usage data and supplier turnaround times. The purpose of the project was to reduce our stock in hand risk and improve liquidity by implementing just in time stock items where appropriate. We’ve been able to reduce the basic stock level held across our van portfolio from £0.6m to £0.5m. This has enabled us to reduce cash locked up in stock by £0.1m improving liquidity and has reduced the weight carried on our vans improving van fuel economy and reducing fuel spend. Implementing certain stock items on a just in time basis has also reduced our waste costs.

Operating principle

Additionally, we have been more effective with our lease vehicle procurement during the year ended 31 March 2021, and we’ve managed to achieve a saving of £6,141 by leveraging our group buying power. Furthermore, by negotiating with a major provider, we managed to save a total of £9,881 on our breakdown cover.

Responsive repairs and maintenance

At the beginning of the financial year, we were forced to reduce our service to emergency and compliance work only. As we all learnt more about COVID-19 we were able to introduce new safe ways of working to ensure the safety of both our operatives and our tenants which enabled us to begin to return to a more ‘normal’ service.

Despite the restrictions we have all faced this year, and considering staff and tenant confidence, we were still able to complete over 37,000 jobs in the year. We also managed to turnaround 1,100 void properties, 300 of which were part of our new homes standard specification.

Operating principle

Grounds maintenance and cleaning services

Our grounds maintenance and cleaning teams saved £2,100 by carrying out arborist services in-house during the year. They were also able to achieve a staff engagement score of 85% overall, which in turn improved staff retention rates, and saved £13,000 by reducing the need for new starter kits.

Over the next twelve months we will develop an action plan and timeline to enhance our non-property assets with four aspects - education; restoration; partnering and influencing. We have already started considering our ecological impact as part of our decision-making process. We are reintroducing native species lost to disease, reimagining communal areas to improve their ecological value, planting hundreds of trees, reviewing the ecological impact of our new home development and home improvement activities, and researching how we maximise both biodiversity and human benefits in urban rewilding projects. Alongside local agencies, charities, and partners, we will enhance the ecological value of our non-property assets, whether they are currently green, or covered in tarmac, all with a focus on improving the health, happiness and wellbeing of our customers.

> “Our grounds maintenance and cleaning teams saved £2,100 by carrying out arborist services in-house

Strategic Report

People

Our people are important to us. Our culture enables people to set their own paths and be accountable for their work. We operate in an agile environment with a focus on enhancing wellbeing and promote the importance of a healthy work-life balance.

Operating principle

At the start of this year, we experienced a massive shift in the way we do things; our people found themselves in a completely different working environment, 50% were working from home, and many were placed on furlough leave.

We were soon required to close our offices, and all staff that could were asked to work from home, with Gasway and RFT operatives only able to attend to emergency and compliance work. For those that needed to work in our offices and within our tenants' homes, we put systems in place to ensure their safety. For those working at home, we offered them financial support to help with the set-up of their home office.

Operating principle

As life began to change for us all, wellbeing became more important than ever, and the need for mental health support increased dramatically. Therefore, we introduced more wellbeing and engagement initiatives to make our people feel connected as they worked remotely or independently. Having already launched a mental health first aid training programme, we had 133 Mental Health First Aiders to help support staff through the extra pressure COVID-19 placed on both their work and personal lives.

We continued to provide our people across the Group with access to an employee assistance programme, enabling them to access free counselling services and legal advice for them and their immediate family. We also partnered with a local counselling service to provide free on-site sessions or virtual support to our staff, to further improve their mental health and support in building resilience.

Our push towards a more digital Flagship was accelerated due to the challenges of COVID-19. Building on our already established agile working practices, and with the tools and technologies in place to support remote working, our people were able to quickly adapt to virtual working, and we were able to quickly deploy digital solutions to sustain business continuity.

We offered 'Headspace', a leading wellbeing and mindfulness application to all staff. We also enhanced our wellbeing toolkit which provides all the necessary tools for those working from home. To keep our people safe, we reviewed our office spaces and introduced a desk booking app, which we created in-house, to allow staff to understand the measures we have in place and exactly who will be in our offices and when.

For all those providing critical frontline services in our tenants' homes, we rolled out safe ways of working, which included face masks and hand sanitiser, as well as carrying out person specific risk assessments, adding an extra level of safety for both our people and our tenants.

In January, we also launched our very own in-house Academy, which provides our people with the opportunities to grow and develop, ensuring they have the right support, skills, and knowledge to continue to do great things and work towards both their vision and ours.

By bringing almost all our training on-line, continuing to deliver sessions internally and working more effectively with our partners, we have saved £66,364 in training costs. This was an additional saving of £3,630 compared to 2019/20, proving that our approach to training continues to offer value for money.

Operating principle

Flagship is built on a foundation of mutual respect and continues to do all that we can to create a positive environment for everyone. We understand the importance of Equality, Diversity and Inclusion (ED&I), and believe that everyone should be able to be themselves. That is why we are committed to creating a culture which is inclusive and enables people to set their own paths and be accountable for their work.

Throughout the last year, we have carried out numerous virtual events, promoting ED&I, covering topics such as Transgender Awareness and Experience, LGBT and Black History. We have also delivered a programme of Unconscious Bias training and provided additional training to our 35 Inclusion Champions who help to promote the importance of ED&I throughout the Group.

Operating principle

Despite the pandemic and the challenges we have faced this year, Flagship Group is and always will be made up of great people doing great things. We are passionate about growing our own talent, and we know that our people are the key to us fulfilling our vision of solving the housing crisis in the East of England.

This year, we recruited 15 new apprentices, making that a total of 87 apprentices studying across the Group, with 16 of those being developed even further through our Bright Futures degree apprenticeship programme. Helping even more of our people to complete an apprenticeship alongside their current role.

As our integration with Suffolk Housing continued to progress during the year, we carried out a further survey to gauge the effectiveness of the integration process and how this compared to the success of our partnership with Victory Housing. The results from the integration survey for Suffolk Housing were positive and demonstrated that we had learnt from our partnership with Victory Housing.

> **"Our latest employee engagement survey saw us achieve an overall score of 8.3 out of 10, our highest yet**

Using our independent and anonymous staff engagement tool, we've been able to streamline our surveys, conduct pulse checks and gather deeper insights on how we are performing as an employer.

We targeted an employee engagement score for the year ended 31 March 2021 of 8.4 and our latest employee engagement survey saw us achieve an overall score of 8.3 out of 10, our highest yet. Whilst we did not quite achieve our target of 8.4, we are very pleased with a score of 8.3, which demonstrates that, as we continue to bring more people into our organisation, our investment in our integration plan to build a consistent understanding of Flagship's vision and strategy is delivering positive results.

Operating principle

When we canvassed our people on our response to the COVID-19 pandemic, 90% of respondents were positive about the operational changes we have made and employee support solutions we have introduced.

Our aim for the year ending 31 March 2022 is to achieve a staff engagement score of 8.4 as we strive to achieve our five-year staff engagement target of 9.4

Strategic Report

Housing

This year, we have experienced challenges, which caused substantial disruption to the way we deliver our housing services – challenges that we could never have envisaged – but we still housed 1,610 additional people during the financial year.

COVID-19 stopped us visiting our tenant' homes, reduced the visibility we had in our communities and put significant strain on our tenants financially. The pandemic has brought us together and highlighted the need for kindness in our communities – a facet at the core of sustainable communities.

As soon as our social norms changed, and our freedoms were restricted, our Housing teams were clear that the priority was to support the most vulnerable in our communities. Our Housing teams made thousands of welfare calls to check in with our most vulnerable tenants and to ask whether we could do anything to help them, many of whom have very limited support networks. We also launched a 'kind communities' campaign to help safeguard tenants in vulnerable situations. The Group launched its Coronavirus Assist Initiative (to support tenants who were unable to pay their rent due to significant hardship) which supported 841 tenants during the financial year and wrote-off £0.5m of rental arrears. We also partnered with local councils and other local charities during the first lockdown when moving properties was not possible, to make our empty homes available to reduce rough sleeping in the East of England.

> **“ We've housed 1,610 new people during the financial year**

Since the beginning of the pandemic, we have seen an increase in the number of tenants claiming Universal Credit, rising to 7,535 compared to 6,618 in 2019/20. Our proactive rent collection was significantly impacted because of the cyberattack as we lost visibility of arrears balances until systems were restored. That said, we collected £142m of rent in 2020/21, which is 98.72%, compared to 99.94% in 2019/20. Consequently, we saw an increase in arrears to 3.9% compared to 3.8% in 2019/20.

We also saw an increase in our void loss during the year ended 31 March 2021 from £1.1m in 2020 to £1.5m in 2021 which was driven partly by challenges created by the first lockdown which meant that letting our empty homes was not possible and partly by our new homes standard which requires us to undertake improvements to our properties before the tenant moves in to ensure our homes meet our own high expectations and can really be a home to cherish for our tenants. Our void loss performance remains better than that our peer[1] group at £1.6m and whilst rental cost vary across the UK, we consider this to be a positive reflection of our re-letting times.

This year has given us the opportunity to really look at the way we do things. We introduced our federated structure to provide a service that enhances our local presence in our tenants' communities; a more personalised experience designed around our tenants.

As part of our new structure, we have made a commitment to our tenants that the services we provide will stay the same or improve. One of the first changes we have made is to change the way we offer our tenancies. We understand from our tenants that they are reluctant to invest in a property when they are on a fixed term tenancy. They feel like it is a place to live for now, rather than their home. We have now moved away from fixed term tenancies, and now offer all new tenants either an assured tenancy or a 12-month starter tenancy that automatically rolls into an assured tenancy giving our tenants greater security, and offering a home not just for now, but for life.

Operating principle

We also provide a dedicated service supporting tenants to access training, education, and employment. This supports social mobility, enhances quality of life and helps build sustainable communities. In 2020/21 we:

- Supported 19 tenants into employment; eight received in-work support and maintained or increased their employment; and a further three have started in full time education;
- Enabled more than 20 tenants to access training delivered by us or our partner agencies with 15 of these completing accredited courses;
- Helped those who engaged with the Employment Support Service to increase their confidence levels and feel more motivated; and
- Ensured that more than half of the tenants who engaged with us during the year have seen a positive outcome from their engagement with us.

Using the HACT (Housing Associations' Charitable Trust, charity no. 1096829) Social Return on Investment model we found that for every £1 we invested in the Employment Support Service, £3.88 of social value was achieved.

[1]Peer group analysis performed using year ending 31 March 2020 date from '2020 Global accounts of private registered providers'

Strategic
Report

Asset Management

Throughout this year, our tenants have spent significantly longer in their homes due to COVID-19, making the need for an efficient home even greater. Despite the many changes to the way we work it was essential that we continued to ensure our housing stock was safe, warm, and suitable for the future.

2020/21 saw us enter into a £2m agreement to install smart thermostats into our properties over the next five years. These thermostats collect a suite of climate metrics that can help us identify maintenance issues, such as mould, poor insulation, or a failing boiler, before they happen. This enables Flagship to be more proactive in maintaining its properties and helps lower our tenants' fuel costs by helping them understand how to deliver their heating efficiently.

Operating principle

Asset Safety

We are driven by our passion to provide high quality homes that are safe to live in. We have increased our compliance spend in the year, reflecting the complexity of the compliance and safety requirements we face as well as the need to invest in the quality of our homes and communities, to provide safe, affordable, and sustainable homes for our tenants.

COVID-19 impacted our compliance performance during the year because access to properties where tenants were shielding was restricted, particularly in supported housing and housing for older residents.

Nevertheless, we persevered and at 31 March 2021 99.7% of our homes with a gas appliance had an in-date accredited gas safety check. 95.6% of buildings had an in-date and compliant Fire Risk Assessment and 100% of our properties met the Decent Homes Standard.

We take landlord safety compliance very seriously. Compliance with safety checks on the 'Big Six' (gas, electrical, fire, legionella, asbestos, and lifts) are regularly monitored by the Flagship Board and the Health and Safety Committee. The accuracy of reporting has been externally validated by Savills and is subject to regular internal audits. Detailed policies and procedures are in place for all six areas, and we have the benefit that gas servicing is completed in-house through our subsidiary Gasway Services Limited. This provides better value for money and direct control of performance for the Group.

At 31 March 2020 we set ourselves an objective that 'all measures on our asset compliance scorecard would be green by 31 March 2021'. Our objective changed during the year, and, our approach to monitoring and delivering compliance improvement, changed.

We engaged Savills to independently review our compliance approach and, acting as a critical friend, Savills supported the creation of our Landlord Compliance Plan. Savills made 33 recommendations (across areas such as policies, procedures and management plans, training, data reconciliation, and resource) which the group has implemented during the last year.

The Group has implemented a data change board which reviews any standing data change to our property portfolio and assesses the compliance risk impact of that change. By utilising this approach our compliance is proactive and triggered by changes to our properties (such as purchase of new properties for example).

We have also been focused on ensuring that our compliance standards are consistent across the Group and have carried out a complete reassessment of fire safety and required improvement investment in our former Suffolk Housing homes which will enable us to invest in the right areas in those properties in the coming years.

Our asbestos management team, previously part of Flagship Services, has also joined our compliance team and the combined team are targeted with surveying all of our homes by 2030 to ensure we understand where asbestos risk exists in all of our properties so that we can proactively manage its risk when undertaking work to those properties.

Our compliance team is also investing in data analytic tools to enable us to effectively target future investment in the most cost-effective ways which in turn delivers greater value for money for the Group.

Strategic Report

Energy Efficiency

Energy efficiency is an area of significant focus for us as an organisation. We have built on the successful implementation of renewable energy programmes from previous years to ensure that these are no longer supplementary measures but are fundamental to our approach.

Not only does this ensure our tenants benefit from sustainable solutions and efficient systems, but it also contributes towards our efforts to become carbon neutral.

At a cost of over £2.75m, we installed renewable technology in 250 homes, moving us closer to the national target of net-zero emissions by 2050, and also reducing our tenants fuel costs.

Throughout 2020/21 we qualified for over £450k of grant which, in addition to the significant levels of investment set aside within our business plan, reflects our ongoing commitment to reduce fuel poverty and reduce the environmental impact of our housing stock. We have done this by installing even more sustainable heating solutions as well as continuing our efforts to promote energy efficient systems and customer behaviours. This has resulted in many tenants saving hundreds of pounds while benefiting from whole house warmth.

We secured £0.8m from the government's Green Homes Grant to help improve the energy efficiency of low-income households, secured by the Suffolk consortium of local authorities' successful £3m bid. We have also delivered significant insulation programmes, including roof, solid wall and under floor to over 1,500 homes..

Operating principle

> **“ We installed renewable technology in 250 homes moving us closer to the national target of net-zero emissions by 2050**

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Strategic Report

Focus on energy performance

An Energy Performance Certificate ('EPC') measures the energy efficiency of a property on a scale of A to G. Better rated homes produce less carbon dioxide (CO2) emissions and therefore understanding the EPC rating of our homes will help us understand how best to improve efficiency for the future as we strive for net-zero by 2050. The energy efficiency rating of a home also has a significant impact on the fuel poverty status of its tenant and improving energy efficiency directly impacts our tenant's disposable income.

A household is in fuel poverty if they are living in a property with an energy efficiency rating of band D or below and when they spend the required amount to heat their home, they are left with a residual income below the official poverty line.

Across the UK there are approximately 2.5m homes living in fuel poverty and 10% of households in the East of England live in fuel poverty. Without doubt some of these households will live in our homes.

Tackling fuel poverty is important to us because it improves tenants' quality of life through lower heating bills leaving tenants with more disposable income for other necessities. Warm homes also support positive health outcomes through the prevention of respiratory illnesses and reduce the risk of falls in the elderly.

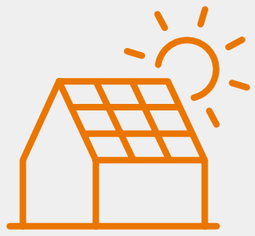
We are tackling fuel poverty through:

- A programme of planned investment in thermal insulation, heating controls (such as smart thermostats) and heating system upgrades;
- Training our front-line staff to educate our tenants on how to operate new heating systems efficiently;
- Putting up to date advice and guidance on our website;
- Working with tenants to maximise their income;
- Supporting and providing tenants with opportunities to upskill, secure training and employment opportunities that enhance their earning potential, incomes and quality of life; and
- Offering financial support to tenants facing extreme hardship by helping with fuel costs via local food banks

Naturally it is not cost effective to demolish all our properties and rebuild them to deliver a higher efficiency rating. Retrofitting properties with renewable energy technology, insulation and other innovative solutions is one way to improve a properties energy efficiency rating. That said, any retrofitting investment needs to be economical for the Group and there may be some properties that we need to either dispose of or rebuild to achieve the required rating for our properties.

During the year we hired additional resource to carry out retrofit surveys on our existing homes which will provide us with property specific insights to enable us to target our resources where they are most needed. Initially we are focussing on our lowest performing homes, where retrofitting is economical, because it is those tenants most at risk of fuel poverty and who will realise the largest benefits from our retrofit activities.

Our existing homes account for approx. 96% of our total indirect operational emissions with approx. 101,000 tonnes of CO2e produced each year. Improving the EPC rating of our properties will reduce our indirect carbon emissions and we intend to bring all of our homes up to an EPC rate of C or better by 2035. We are further targeting an average SAP rating of 86 (EPC mid-band rating of B) across our property portfolio by 2050 as we strive to achieve the government's target of net-zero emissions.



We currently have EPC ratings for 76% of our homes and are continuing to survey the remainder of our homes as we formulate our investment strategy. Our properties currently fall into the following EPC ratings:

EPC Band	Percentage of our homes
A	0.1%
B	13.9%
C	34.8%
D	43.7%
E or below	7.6%

Our work to date has demonstrated that it is viable to bring most of our homes up to EPC band C by installing a range of energy efficiency measures like loft and cavity wall insulation. Beyond EPC band C we will continue to target investment in renewable energy technologies to bring our portfolio to an average SAP rating of 86 by 2050.

Operating principles

Strategic Report

Placemaking

We want to make sure people can access high quality, affordable homes, which are well situated and part of a sustainable community. We understand that locations can have a greater influence on people's lives, with the power to enhance or constrain the lives and opportunities for those that live there.

Our approach to place-led interventions aims to enhance lives and opportunities of existing tenants and puts people before property. By understanding the environment from the community's perspective, before considering changes to the built environment, we can promote the health, happiness and wellbeing of our tenants and wider residents.

In Norfolk, we are leading a place-based regeneration of an existing housing estate. Working with residents and the local authority, we have built a deep understanding of the community, local issues, symptoms, and their root causes. Through a consultative approach we are proposing a combination of urban design interventions to breathe new life into the housing area and unite a community with the surrounding town.

At the heart of the proposals are well connected, and structured open spaces, that reconnect the estate to nature and its surroundings, and alongside some selective demolition and provision of new homes, offering a blend of improved, affordable housing options and an opportunity for the community to access greater opportunities and life chances.

Running in parallel to this, we have a collective approach and timeline to enhancing our non-property assets - taking a long-term custodian's view of our land, from new homes, through maintenance, and even strategically targeting land for sale/lease where there is a greater ecological benefit, like land-assembly to enable biodiversity highways. Our approach will target improving four aspects - education; restoration; partnering and influencing.

VFM Savings

£30k – transferred asbestos management and delivery from Flagship Services into the Asset Management team removing some role duplication;

£50k – New water treatment contract to service and maintain Flagship Group plants and systems;

£20k – secured a new fire door manufacturer;

£70k – implementation of in-house fire safety officers;

£70k – in house fire safety supervisor delivered the Fire Risk Assessment Program and added former Suffolk Housing properties to the Group's service portfolio; and

£25k – procured new Flagship Group water hygiene contract.

These VFM savings alone almost equate to the cost of building two new affordable homes or installing 39 new renewable heating systems into our properties.

“ We donated £15k to local food banks

Environment, Social and Governance

We use our knowledge and expertise to work together to make a real difference to the lives of our tenants and their communities. Our social impact work focuses on solving the housing crisis, by providing homes, creating sustainable communities, and ending homelessness.

We want to create a culture that maximises social, marketplace, workplace, and environmental value in every area of our business. And as a Group, we continue to support the local economy by providing opportunities for local people through procurement, employment, apprenticeships, and training.

Supporting sustainable communities through grant funding

COVID-19 highlighted the importance of kindness and community spirit as we witnessed financial difficulties for many people caused by multiple lockdowns.

Recognising this importance, in 2020/21, we donated £15k to local food banks to help them with their distribution of fuel vouchers. We also continued to invest in our communities, through our community grants of up to £5k, meeting local priorities.

In response to the pressure being faced by hospitals as they sought to deal with COVID-19 at the start of the financial year, our subsidiary Blue Flame donated engineering labour with a value of £5,600 to Colchester Hospital (part of East Suffolk and North Essex Foundation Trust).

During 2020/21, £37,558 of funding was allocated to eight different charity and voluntary groups, throughout North Norfolk. The projects benefitted over 600 people, including providing free access to local legal advice for young people.

To understand the return on our social investment, using the HACT model, we carried out a social value assessment, and we found that for every £1 spent, the fund achieved over £19 of social value in our communities.

Grants awarded during 2020/21

£5,000 - EP Youth - To pay for the running costs to deliver a mobile activity project in Fakenham for young people aged 11 upwards.

£4,810 - Home-Start Norfolk - To contribute towards salary and core costs to continue supporting families in North Norfolk and Broadland.

£4,976 - Nelson's Journey - To contribute to the cost of the Child Bereavement Support Worker covering North Norfolk.

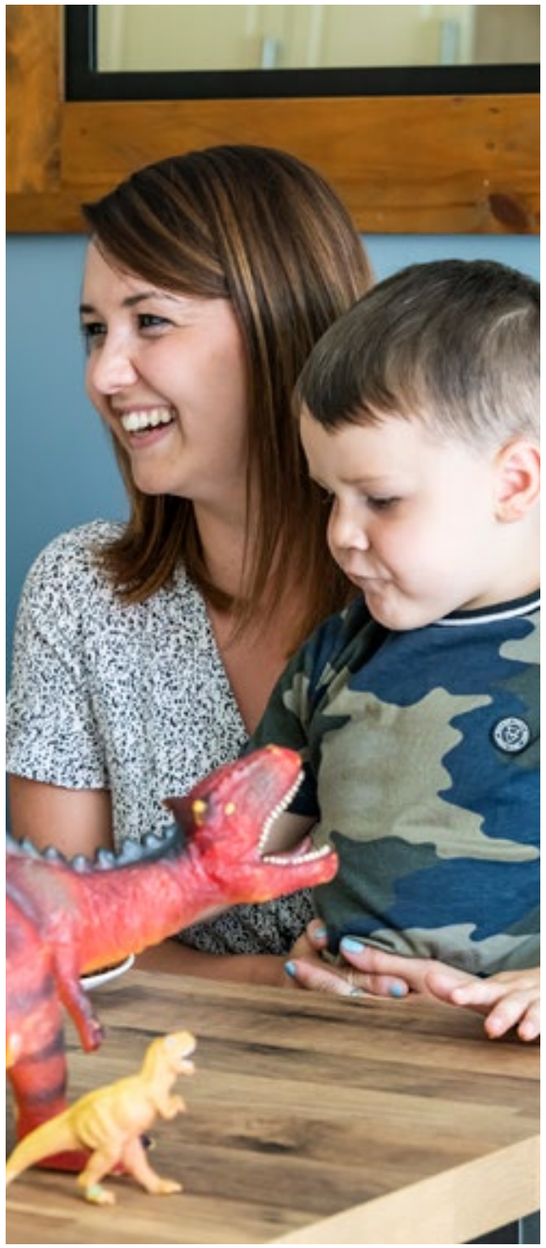
£5,000 - Norfolk Community Law Service - To continue to provide a free legal advice service to residents of North Norfolk

£5,000 - North Norfolk Community Transport - To contribute towards driver costs for a new wheelchair accessible electric vehicle.

£3,294 - Stalham Youth Football Club - To purchase a set of goals and line marking equipment

£5,000 - Wells Community Hospital - To support the staffing costs of a digital hub to enable people to access medical and other appointments remotely

£4,000 - Cromer Town Council for Suffield park for a climbing wall at Lynewood Close Pocket Park.



Strategic
Report

“ The Group has committed to provide Hopestead with £0.6m of funding

Hopestead – ending homelessness in the East of England

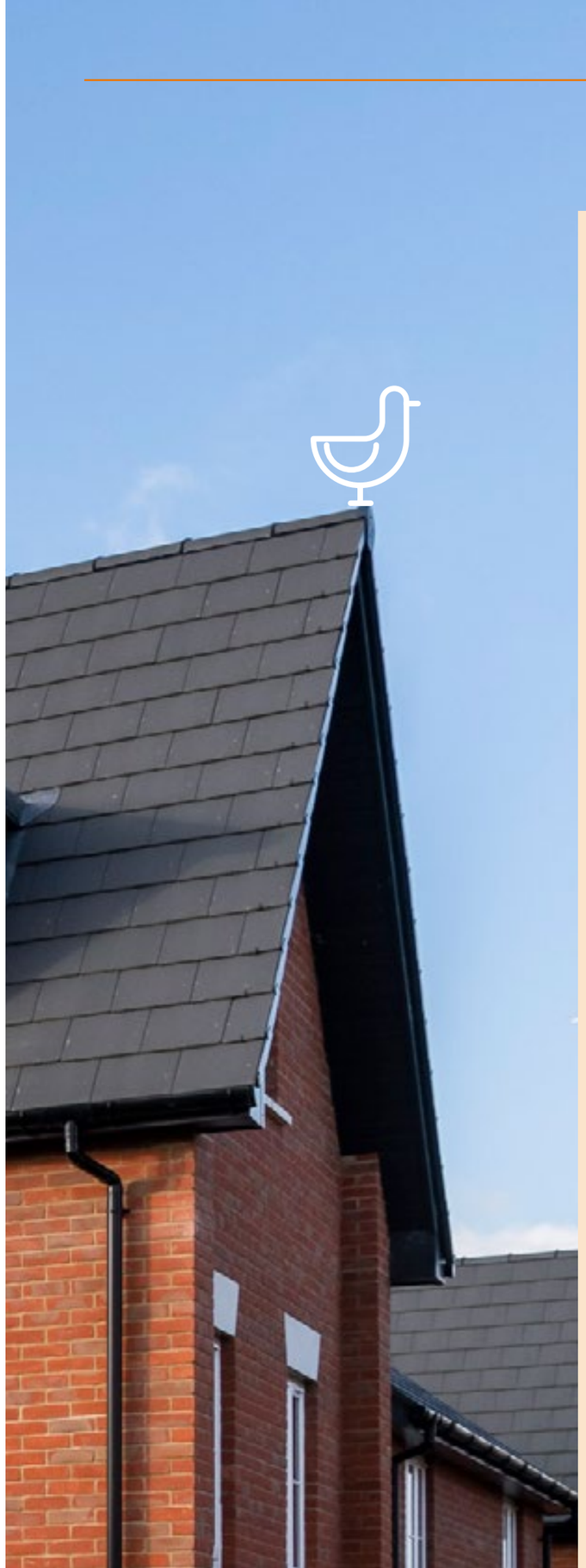
In April 2020, we launched Hopestead, to pursue our commitment to end homelessness in the East of England.

The Group committed in the previous financial year to provide £0.4m of funding to Hopestead during the year ended 31 March 2021. We duly achieved that target enabling Hopestead to make a real impact in its first year of operation. The Group has committed to provide Hopestead with £0.6m of funding during the year ending 31 March 2022.

As part of its goal to ensure everyone has a place to call home, Hopestead supported our tenants and wider communities at a time when it was needed most.

Throughout 2020/21, Hopestead:

- Built significant collaborative relationships with partner organisations with similar charitable objectives;
- Donated £39,000 to a local homelessness charity who were unable to carry out their usual fundraising appeal;
- Raised over £4,000 through its ‘Drive in for Hope’ outdoor cinema launch events in October 2020;
- Facilitated the provision of a four-bedroom home in Ipswich for a local charity (leased from Flagship Housing Group Limited) with a shared commitment to end homelessness in the East of England; and
- Launched a payroll giving scheme with the Norfolk and Suffolk Community Foundation and donated £4,000 to their Covid Crisis Fund



A summary of our objectives for 2021/22:

1. New supply delivered (social housing units) value of 2.2%;
2. Net promoter score of +30;
3. Reinvestment percentage in excess of 7%;
4. Operating margin of 30%;
5. Net profit per home of £1,797 per home;
6. Provide £0.6m of funding to Hopestead; and
7. Deliver a return on capital employed of 4.4%

By order of the Board

E Marcus, Company Secretary
31 August 2021

Flagship Housing Group Limited
31 King Street | Norwich | Norfolk | NR1 1PD

Report of the Board

for the year ended 31 March 2021

The Board of Management presents its annual report for the audited financial statements of the company and the Group for the year ended 31 March 2021.

Future developments

The trading performance of the Group and an indication of the likely future developments in the Group's business have been presented on pages 8 to 63 within the Strategic Report.

Group structure

At 31 March 2021 the Group consisted of five active entities:

- Flagship Housing Group Limited
- Flagship Housing Developments Limited
- Gasway Services Limited
- Blue Flame (Colchester) Limited
- Hopestead CIO

A structural review of the Group identified improvements that could be made to tenant services and operational efficiency through consolidation and integration of services within the wider group.

Consequently, on 31 December 2020 Victory Housing Trust became part of Flagship Housing Group Limited, through the transfer of engagement mechanism, available to Co-operative and Community Benefit Societies. At that date, Victory Housing Trust ceased to exist as a legal entity and the fair value of its assets and liabilities, and its trading activities were assumed by Flagship Housing Group Limited, and form part of these company financial statements from 1 January 2021.

Similarly, on 31 March 2021 RFT Repairs Limited hived-up its trade and assets to Flagship Housing Group Limited. Integrating the Group's repairs and maintenance provision into Flagship Housing Group Limited delivers operational cost efficiencies for the Group and greater continuity in customer service for our tenants.

Report of the Board

Community initiatives and charitable donations

During the year the Group paid £204,395 (2020: £116,697) towards community initiatives. No charitable donations were made (2020: £nil).

The Board of Management and executive team

The Board of Management and the executive team who served the company in office at 31 March 2021 are detailed on page 5 of the annual report. The Board is comprised of nine non-executive directors (68%) and four executive directors (32%) and are drawn from a wide background bringing together professional, commercial and local experience.

The Flagship Housing Group Board had the following demographics:

	2021	2020
Women	23%	23%
BAME	8%	8%
Average age	61 years	60 years
Average tenure (NEDs only)	5 years	4 years

To place the composition of the Board in context 53% of Flagship tenants are women; 60% of lead tenants are women; and in the East of England 51% of the population are women. 2.4% of Flagship tenants are BAME; in the East of England 9.2% of the population are BAME but in Norfolk and Suffolk (where the Group has the majority of its properties) only 3.5% of the population is BAME. The average age of Flagship tenants is 32; lead tenants have an average age of 49 years; and the East of England population has a median age of 42 years.

Each non-executive director is appointed for a term of three years with a maximum term of no more than nine years for existing Board members as at 31 March 2021 and a maximum term of six years for any new members who join the Board after 31 March 2021.

The company has an open recruitment and selection policy for non-executive directors. Recruitment is transparent and focuses on filling experience gaps on the Board. A copy of the recruitment and selection process is available on request in writing to the company secretary. All new non-executive directors are provided with induction training to enable them to meet their obligations and commitment to the Group, in accordance with the NHF's governance code.

The Board has adopted the National Housing Federation Code of Governance (the 'Code') and complies with all aspects of the code, except for the number of directors on the Board. Three additional non-executive directors joined the Board of Management following the transfer of engagement of Suffolk Housing Society to ensure continuity and support future succession planning. A number of non-executive directors will be reaching the end of their tenure within the next few years and the number of Board members will be reduced through retirement to realign the Group with the Code.

The Board is actively preparing for forthcoming non-executive director retirements with co-ordination of the succession plan overseen by the People and Culture Committee. The Board engaged an independent third-party consultant to undertake an effectiveness review of the Group's governance framework with succession recommendations reported to the Board in November 2020.

Each non-executive director signs a service agreement which covers compliance with standing orders, Directors' Code of Conduct and Directors' Protocol, as well as completing an annual disclosure of interest report to Governance Audit and Risk Committee (GARC).

Flagship's standing orders provides the following processes to address conflicts of interest:

- declarations of interest are a standing agenda item at each board meeting;
- formal minuting of any declarations made;
- a board member withdraws from a meeting for the duration of an item, debate or decision where the interest is clear and substantial; and
- all board members to offer to resign where a conflict of interest is likely to recur on a frequent basis.

Report
of the Board

> **“ The Group is committed to equal opportunities**

Employees

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and employees are consulted regularly on a wide range of matters affecting their current and future interest.

The Group is committed to equal opportunities. Our people are diverse and are chosen for their experience, potential and personal attributes regardless of gender, sexual orientation, marital status, age, race, colour, nationality, ethnic origin, religion or disability.

The Group is committed to giving full and fair consideration to applications for employment that disabled individuals make to the Group and is committed to equal training opportunities, career development, and promotion of such individuals. With regard to individuals who become disabled, the Group's policy is to take all reasonable steps, including retraining, to ensure that they can remain in employment wherever practicable

The Group remains committed to equality of opportunity in all its employment policies, practices and procedures. All employees should be given equal opportunity and are appraised solely on performance against objectives, personal attributes and potential.

Employee engagement statement

The Group has a number of effective workforce engagement mechanisms in place including:

- keeping employees informed of performance and strategy through regular presentations and updates;
- internal social media engagement platforms;
- employee engagement surveys are undertaken with results reported back to all staff with encouragement for all staff to drive the future direction of the Group;
- senior management team making themselves visible and accessible to all staff enabling them to hear views across the employee spectrum; and
- annual employee performance reviews to facilitate personal development and collective team development.

The Board considers that, taken together, these arrangements deliver an effective means of ensuring the Board stays alert to the views of all employees.

Employee remuneration

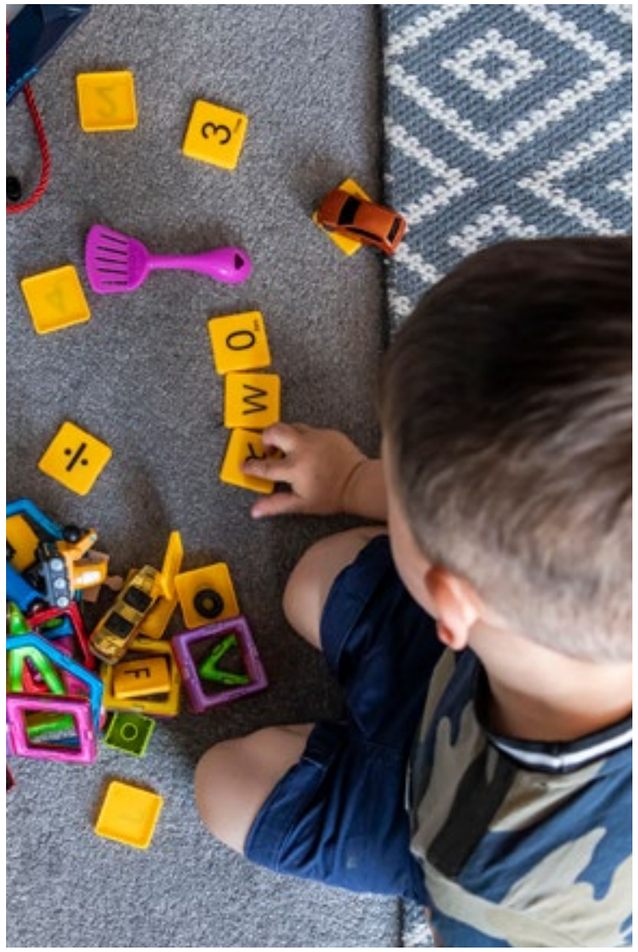
The Group's policy (including for Board members) is to provide remuneration packages that attract, retain and motivate talent without paying more than is necessary to deliver the Group's strategic objectives. External benchmarking is undertaken to ensure remuneration levels are consistent with both, the sector nationally and regionally, and with similar roles in non-sector organisations. Notice periods are set at levels considered appropriate to facilitate a transparent recruitment process and effective responsibility handover.

Report of the Board

Statement of engagement with suppliers, customers and other stakeholders with a business interest

Suppliers

Throughout the year the Board was briefed on major contract renegotiations and strategy with regard to key suppliers. The Board seeks to balance the benefits of maintaining strong partnering relationships with key suppliers alongside the need to obtain value for money and the desired quality and service level for the Group's customers.



Customers

The Group is diverse and delivers a range of services. The Group's primary charitable objective is the provision of social housing and therefore its social housing tenants are a considerable customer base for the Group. However, the Group is also engaged in residential development and gas installation and maintenance services which also have considerable customer bases respectively. The Board actively reviews customer satisfaction to continuously improve the company's services to meet the ever-changing needs of its customers.

Regulators

The Group's primary regulation is provided by the 'Regulator of Social Housing' ('RSH'). The Group strives to have an ongoing, transparent dialogue with the RSH through co-operative and constructive engagement. The Chief Executive Officer oversees the Group's communication with the RSH and provides regular updates to Board on correspondence with the RSH. GARC exercises oversight over the Group's governance framework and the Group's Finance & Treasury (F&T) exercise oversight of the Group's financial viability.

The Group manages its tax affairs responsibly and proactively to comply with UK tax legislation. The Group's engages with HMRC constructively, honestly and in a timely and professional manner, and seeks to resolve any disputed matter through active and transparent engagement. The Group CFO provides regular updates to Board on tax matters.

> **"The Group is diverse and delivers a range of services**

Debt capital / credit facility providers and credit reference agencies

The Chief Financial Officer, Group Finance Director and the Group's Treasury team are responsible for managing the relationships with bank syndicates, bond trustees and credit rating agencies, and for the Group's cash / debt management and financing activities. The Group Finance Director provides regular reports to Finance & Treasury Committee (F&T) on these activities including the Group's plans to ensure appropriate access to debt capital, monitoring of headroom and maturity schedules for the Group's credit facilities. The Board approves all new financing arrangements and the Group's treasury strategy annually.

Report of the Board

Statement of Board's responsibilities

The Board is responsible for preparing the Strategic Report, the Report of the Board and the financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Society Act 2014 requires the Board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland".

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the Group will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The Board has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Executive team

Members of the executive team are full-time employees and are responsible for the day-to-day operational management of the Group. They are responsible for ensuring that policies determined by the Board are properly implemented.

The executive team has created a senior management team, consisting of operational directors (individuals with a director title who report directly to a member of the executive team) which collectively deliver the day-to-day operations of the Group. Together the executive team and the operational directors comprise the Group's key management personnel.

The composition of the executive team is as follows:

David McQuade	Chief Executive Officer
Helen Walsham	Deputy Chief Executive Officer
David Armstrong	Chief Financial Officer
John Archibald	Chief Strategic Officer

A biography of all key management personnel can be found on the company's website www.flagship-group.co.uk.

Report of the Board

Risk and internal control

The Board recognises that they are ultimately responsible for both management of risk and the system of internal control. Day-to-day risk management is delegated to operational directors (with leadership and oversight from the executive team) who are full time employees and hold no interest in the company's share capital. The senior management team act with the delegated authority given to them by the Board.

No system of internal control can provide absolute assurance or eliminate all risk. The Group has adopted an approach to risk whereby it is expected that management of day-to-day risk happens automatically as daily business is carried out by every employee in accordance with documented procedures, supported by the business planning process and management of strategic risks. Whilst recognising the need to understand and monitor risk, the Group acknowledges the need for realistic risk control and management to provide a sound basis on which to carry out business so not to constrain and restrict healthy growth opportunities. The Group will normally look to manage, mitigate or monitor risk, as appropriate, but will avoid risk in excess of its clearly understood risk appetite.

Each operational directorate within the Group maintains a risk register to monitor and control all strategic and operational risks that may affect achievement of functional objectives. A risk appetite is assigned to each risk, alongside an evaluation of the likelihood of occurrence and the impact on delivering the Group's strategic and operational risks. The risk register also includes controls put in place to reduce the risk to an acceptable level.

The Group monitors and controls all risks that may affect achievement of its objectives through regular review of the consolidated risk register by the Board and through review of the Group's Assurance Map by GARC, to ensure that all strategic and operational risks are being managed within the Group's risk appetite. Together this approach creates a hierarchical assurance framework through successive levels of management to address strategic and operational risk.

The Group's internal audit function (which leverages input from an external independent auditor) undertakes an agreed audit plan for each financial year to appraise the effectiveness and robustness of the Group's control environment. Oversight of the internal audit function is performed by GARC which provides assurance to the Flagship Housing Group Limited Board under delegated authority.

The Group uses a 'Board action' reporting model with clearly defined responsibility and target delivery dates to ensure that corrective action is taken in relation to any identified control weaknesses to maintain a robust and effective control environment.

Report of the Board

Board Committees

The Board has delegated responsibility for specific areas of operation to the committees listed below who engage additional expertise, as required, to maintain an effective system of control. The schemes of delegation are clearly defined and reviewed regularly to ensure that they continue to be appropriate and meet the operational risks of the organisation.

Governance, Audit and Risk Committee (GARC)

Purpose:

To oversee the internal and external audit functions and provide the Board with assurance on the effectiveness of the risk management and internal control frameworks.

Members:

Three non-executive directors excluding the chair of the Board and a Board adviser.

Experience:

Audit committee members have considerable experience which they bring to the committee. This includes a former big-4 accountancy firm partner with extensive public sector audit experience, a consultant with extensive experience in public sector health, who specialises in strategy, finance, business planning and governance, a consultant specialising in regulatory, political, whistleblowing and harassment matters with experience leading board effectiveness reviews and significant financial turnaround and recovery plans, and a consultant specialising in business coaching, leadership development, change management and succession planning.

Finance and treasury committee (F&T)

Purpose:

To oversee the Group's treasury strategy. The committee focuses on cash and cash equivalents, borrowings, hedging and other financial risk management tools, and asset security.

Members:

Two non-executive directors excluding the chair of the Board.

People and culture committee (P&C)

Purpose:

To oversee the Group's remuneration policy for directors and employees and the Group's compliance with the NHF Code of Governance.

Members:

Two non-executive directors excluding the chair of the Board, a Board adviser and an employee representative.

Health and safety committee (H&S)

Purpose:

To oversee the Group's health and safety strategy and action plan.

Members:

One non-executive director (excluding the chair of the Board), the Chief Operating Officer, the Chief Strategic Officer, an employee representative and the Group's Business Assurance Manager.

Safety reference group (SRG)

Purpose:

To oversee the Group's adherence to landlord regulatory compliance requirements.

Members:

Three non-executive directors (including the chair of the Board), the Chief Executive Officer and the Chief Strategic Officer.

Report of the Board

Compliance

The company has a zero-tolerance approach to fraud and bribery. An anti-fraud and bribery policy response plan are incorporated in the risk management framework and whistleblowing policies are in place and reviewed on a regular basis.

The Group certifies that it has complied with the requirements of the Regulator of Social Housing's Governance and Viability Standard during the year ended 31 March 2021.

The Board has received the annual report of the senior leadership team, made enquiries as considered appropriate by each non-executive director and received an annual assurance report from the committees as part of the Board's annual review of the effectiveness of the system of internal control.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. This process has been in place through the year under review, up to the date of the annual report, and is regularly reviewed by the Board of Management.

Housing properties

In the opinion of the Board, there has been no indication of any significant impairment of the Group's housing properties during the year or up to the date of signing this report.

Post balance sheet events

On the 10 June 2021 Flagship Housing Group Limited incorporated a new subsidiary, Flagship Finance PLC, as a financing vehicle for the Flagship Group. Flagship Finance PLC issued a listed bond on 7 July 2021 and further information in respect of the listing is presented in Note 38 on page 143.

In the case of each Member of the Board in office at the date the Report of the Board is approved:

- so far as the member is aware, there is no relevant audit information of which the company or Group's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a member in order to make themselves aware of any relevant audit information and to establish that the company and Group's auditors are aware of that information.

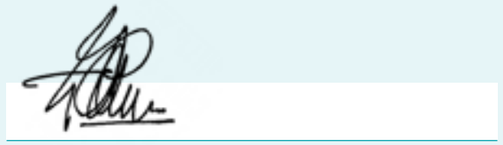
Independent auditors

Mazars LLP have been the Group's auditors for nine consecutive financial years, however, the current audit partner has held office for three years. The Group tendered its contract for the provision of external audit services in Autumn 2020. The tender process was co-ordinated by GARC and Mazars LLP were reappointed on 9 December 2020.

Mazars LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be brought before the annual general meeting.

By order of the Board

E Marcus, Company Secretary
31 August 2021



Flagship Housing Group Limited
31 King Street | Norwich | Norfolk | NR1 1PD

Independent auditor's report

to the members of Flagship Housing Group Limited

Opinion

We have audited the financial statements of Flagship Housing Group Limited (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 March 2021 which comprise the Group and the parent company's Statements of comprehensive income, the Group and the parent company's Balance sheet, the Group and the parent company's Statements of changes in reserves, the Group Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2021 and of the Group's and the parent company's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Independent auditor's report

Basis of 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

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

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

In 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 Directors' Report.

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

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

Independent auditor's report

Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities set out on page 72, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Group's and the parent 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 intends to liquidate the Group or the parent 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of Flagship Housing Group Limited, its subsidiary undertakings and their industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate performance and management bias through judgements and assumptions in significant accounting estimates.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements.

Our audit procedures included but were not limited to:

- discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquires of the directors and management on whether they had any knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

Independent auditor's report

Use of the audit report

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

Vincent Marke
(Senior Statutory Auditor)

For and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
First Floor
Two Chamberlain Square
Birmingham
B3 3AX

8 September 2021

Financial statements

Statement of Comprehensive Income

for the year ended 31 March 2021

	Note	Group 2021	Group 2020	Company 2021	Company 2020
		£'000	£'000	£'000	£'000
Turnover	5 / 7	200,150	188,248	168,696	139,581
Operating costs	5	(140,530)	(124,927)	(111,397)	(87,356)
Gain on disposal of housing properties and other property, plant and equipment	8	9,353	8,580	6,056	2,769
Share of operating profit / (loss) in joint ventures	20	480	(244)	-	-
Operating surplus	9	69,453	71,657	63,355	54,994
Interest receivable	26	352	647	1,657	3,040
Interest and financing costs	25	(25,533)	(24,377)	(24,157)	(22,808)
Movement in fair value of investment properties	15	1,824	(974)	1,824	(974)
Gift on transfer of engagement	35	-	15,339	138,583	15,268
Surplus for the year before taxation		46,096	62,292	181,262	49,520
Taxation	13	33	(21)	(3)	(9)
Surplus for the year		46,129	62,271	181,259	49,511
Actuarial (loss) / gain in respect of pension schemes	31	(8,188)	5,718	(8,188)	5,718
Total comprehensive income for the year		37,941	67,989	173,071	55,229

All results are from continuing activities, generated in the United Kingdom.

There is no material difference between surplus for the year before taxation and the surplus for the financial period stated above and their historical cost equivalent.

The notes on pages 93 to 143 form an integral part of the financial statements.

Balance sheet

as at 31 March 2021

	Note	Group 2021	Group 2020	Company 2021	Company 2020
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible fixed assets	17	7,520	8,199	2,476	2,236
Tangible fixed assets - Housing properties	14	1,754,927	1,699,510	1,778,518	1,513,931
Oher tangible fixed assets	18	10,489	11,163	10,065	8,893
Investment properties	15	74,274	72,724	74,274	72,724
Investments in subsidiaries and other investments	19	13,440	13,388	80,254	59,203
Investments in joint ventures	20	13,119	7,210	-	-
Non-current other debtors	21	90	90	-	-
		1,873,859	1,812,284	1,945,587	1,656,987
Current assets					
Stock	10	54,842	32,590	10,133	6,182
Trade and other debtors	21	16,023	20,288	9,260	8,318
Cash and cash equivalents		11,408	31,755	6,761	19,613
		82,273	84,633	26,154	34,113
Creditors: amounts falling due within one year	22	(112,685)	(99,011)	(101,259)	(73,260)
Net current liabilities		(30,412)	(14,378)	(75,105)	(39,147)
Total assets less current liabilities		1,843,447	1,797,906	1,870,482	1,617,840
Creditors: amounts falling due after one year	23	(958,716)	(957,681)	(960,770)	(887,800)
Provision for liabilities					
Defined benefit pension liability	31	(19,219)	(12,618)	(19,219)	(12,618)
Other provisions	13	(100)	(136)	-	-
Net assets		865,412	827,471	890,493	717,422
Reserves					
Income and expenditure reserve		472,954	430,406	498,035	320,357
Revaluation reserves		392,458	397,065	392,458	397,065
Total reserves		865,412	827,471	890,493	717,422

The financial statements were authorised for issue by the board of directors on 31 August 2021 and signed on its behalf by:

P Hawes, Chair

R Bennett, Board Member

D Armstrong, Chief Financial Officer

The notes on pages 93 to 143 form an integral part of the financial statements.

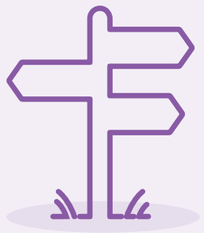
Statement of changes in reserves

for the year ended 31 March 2021

(a) Group

	Income and expenditure reserve	Revaluation reserve	Total reserves
	£'000	£'000	£'000
Opening balance at 1 April 2019	357,989	401,493	759,482
Surplus for the year	62,271	-	62,271
Other comprehensive income for the year	5,718	-	5,718
Total comprehensive income for the financial year	**67,989**	**-**	**67,989**
Transfer from revaluation reserve to revenue reserve	4,428	(4,428)	-
Total transactions recognised directly in equity	**4,428**	**(4,428)**	**-**
Closing balance at 31 March 2020	**430,406**	**397,065**	**827,471**

	Income and expenditure reserve	Revaluation reserve	Total reserve
	£'000	£'000	£'000
Opening balance at 1 April 2020	430,406	397,065	827,471
Surplus for the year	46,129	-	46,129
Other comprehensive income for the year	(8,188)	-	(8,188)
Total comprehensive income for the financial year	**37,941**	**-**	**37,941**
Transfer from revaluation reserve to revenue reserve	4,607	(4,607)	-
Total transactions recognised directly in equity	**4,607**	**(4,607)**	**-**
Closing balance at 31 March 2021	**472,954**	**392,458**	**865,412**



The notes on pages 93 to 143 form an integral part of the financial statements.

(b) Company

	Income and expenditure reserve	Revaluation reserve	Total reserves
	£'000	£'000	£'000
Opening balance at 1 April 2019	260,892	401,493	662,385
Movement in reserves on adoption of FRS 102 triennial review	(192)	-	(192)
Adjusted opening balance at 1 April 2020	260,700	401,493	662,193
Surplus for the year	49,511	-	49,511
Other comprehensive income for the year	5,718	-	5,718
Total comprehensive income for the financial year	**55,229**	**-**	**55,229**
Transfer from revaluation reserve to revenue reserve	4,428	(4,428)	-
Total transactions recognised directly in equity	**4,428**	**(4,428)**	**-**
Closing balance at 31 March 2020	**320,357**	**397,065**	**717,422**

	Income and expenditure reserve	Revaluation reserve	Total reserves
	£'000	£'000	£'000
Opening balance at 1 April 2020	320,357	397,065	717,422
Surplus for the year	181,259	-	181,259
Other comprehensive income for the year	(8,188)	-	(8,188)
Total comprehensive income for the financial year	**173,071**	**-**	**173,071**
Transfer from revaluation reserve to revenue reserve	4,607	(4,607)	-
Total transactions recognised directly in equity	**4,607**	**(4,607)**	**-**
Closing balance at 31 March 2021	**498,035**	**392,458**	**890,493**

The notes on pages 93 to 143 form an integral part of the financial statements.

Statement of cash flows

for the year ended 31 March 2021

	Note	Group 2021 £'000	Group 2020 £'000
Net cash generated from operating activities	32	**76,072**	68,193
Taxation		**(3)**	171
Net cash generated from operating activities		**76,069**	68,364
Cash flows from investing activities			
Purchase of and works to housing properties	14	**(86,386)**	(98,019)
Purchase of other assets		**(2,292)**	(3,187)
Proceeds from the sale of housing properties	8	**14,560**	13,390
Proceeds from the sale of other fixed assets		**16**	430
Purchase of investments	19	**(52)**	(16)
Grant received	27	**7,044**	2,250
Cash acquired on acquisition of subsidiary	35	**-**	4,517
Loans made to joint venture undertakings	20	**(5,429)**	(6,204)
Interest received	26	**352**	647
Net cash from investing activities		**(72,187)**	(86,192)
Cash flows from financing activities			
Proceeds from issue of bank borrowings		**49,698**	38,365
Repayment of bank borrowings		**(42,925)**	(33,812)
Capital element of finance lease rental payments		**(1,623)**	(1,474)
Interest paid	25	**(29,379)**	(27,618)
Net cash from financing activities		**(24,229)**	(24,539)
Net change in cash and cash equivalents		**(20,347)**	(42,367)
Cash and cash equivalents at beginning of year		**31,755**	74,122
Cash and cash equivalents at end of year		**11,408**	31,755

The notes on pages 93 to 143 form an integral part of the financial statements.

Notes to the Financial Statements

for the year ended 31 March 2021

Notes to the financial statements

for the year ended 31 March 2021

1. General information

Flagship Housing Group Limited ('the company') is a registered provider of social housing, incorporated under the Co-operative and Community Benefit Societies Act 2014. Its subsidiaries (together 'the group') provide repairs and maintenance, capital improvement and residential development services for the company and externally generate re-investable capital.

The company is a private company limited by shares and is incorporated in the United Kingdom. The address of its registered office is 31 King Street, Norwich, Norfolk, NR1 1PD.

The company is registered with the Homes and Communities Agency as a registered provider as defined by the Homes and Communities Act 2008.

The company is an exempt charity.

2. Statement of compliance

The Group and individual financial statements of Flagship Housing Group Limited have been prepared in compliance with applicable law, United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), the Accounting Direction for Private Registered Providers of Social Housing 2019, the Statement of Recommended Practice for registered social housing providers 2018 update and the Housing and Regeneration Act 2008. The Group is a public benefit organisation, and applies the relevant paragraphs prefixed "PBE" in FRS 102.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. The policies have been consistently applied to all periods presented, unless otherwise stated.

a. Basis of preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the fair value of certain investments.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management exercise its judgement in the process of applying the Group and company's accounting policies. The areas involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

b. Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report and the Report of the Board.

The Group meets its day-to-day working capital requirements primarily through the cash generated from its trading activities and through cash made available through its debt financing arrangements.

During the past year the Group has become accustomed to the restrictions in place to control the spread of COVID-19. The Group has well established policies and procedures in place to maintain safe working practices for employees, suppliers and customers whilst it continues to deliver its strategic and operational objectives.

The current economic, political and societal conditions as a result of COVID-19 continue to create uncertainty over (a) the extent of arrears due to COVID-19 and the future recoverability of debts; (b) availability of financing for customers to purchase the Group's products; (c) land availability at attractive hurdle rates to be used for social housing provision and ability to obtain planning permission in required timeframes under current working conditions; (d) availability of skilled labour to respond to self-isolation and staff unavailability; (e) market demand from stamp duty temporary rate reduction tapering off; (f) source availability and price instability of materials; (g) ability to undertake larger projects safely whilst maintaining appropriate social distancing; (h) ability for customer facing staff to get back into the field and work with customers face to face; and (i) future use of investment properties resulting in impairment risk.

Whilst future national or regional lockdowns on the scale of that introduced in March 2020 cannot be ruled out, experience suggests that political appetite for such measures is low because of the economic impact. We have demonstrated that we can deliver our services safely with the right safeguards in place and the Group expects its activities to be able to continue unaffected by future changes to societal restrictions.

Following a detailed review of future forecasts and projections, taking into account the uncertainties presented above, alongside stress testing for possible different future trading scenarios, the Group should be able to operate within the level of its current facilities for the foreseeable future.

At the date of signing the Report of the Board, the director's level of confidence in their viability statement is contingent on a continued gradual societal and economic recovery from COVID-19.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

c. Exemptions for qualifying entities under FRS 102

FRS 102 allows a 'qualifying entity' certain disclosure exemptions, subject to conditions.

The company has taken advantage of the following exemptions in its individual financial statements:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;
- from the financial instrument disclosures, required under FRS 102 paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29(A), as the information is provided in the consolidated financial statement disclosures; and
- from disclosing key management personnel compensation, as required by FRS 102 paragraph 33.7.

d. Basis of consolidation

The Group consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings made up to 31 March 2021.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity, it accounts for that entity as a subsidiary.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

Any subsidiary undertakings sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

e. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of discounts, void loss and value added taxes.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The Group recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Group retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity; and (e) when the specific criteria relating to each of the Group's sales channels have been met, as described in the following points.

Rental and service charge income

The Group primarily provides social housing in accordance with its charitable objectives but also provides a limited range of other market rented property. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Service charge income is recognised in the period to which it relates net of losses from voids.

Property management services

The Group provides property management services. Revenue is recognised monthly on a straight-line basis throughout the financial year.

Sale of properties

The Group develops residential property to support its social housing charitable objectives as well as residential property for sale on the open market. Income from residential property developed for open market sale and from first tranche shared ownership property sales is recognised at the point of legal completion of the sale.

Responsive repairs and maintenance service

The Group provides responsive repairs and maintenance services across East Anglia and the Home Counties. Revenue is recognised in the accounting period in which the responsive service was rendered and on completion of the job.

Capital project improvement service

The Group provides capital replacement and improvement services to domestic property owners, social landlords, commercial companies and local government. Revenue is recognised in accordance with the terms of the performance contract in the accounting period in which the services are rendered when the outcome of the contract can be estimated reliably and on completion of the services rendered.

Cover plans

The Group provides annual boiler maintenance cover plans. Revenue is recognised monthly on a straight-line basis throughout the financial year.

Interest income

Interest income is recognised using the effective interest method.

Notes to the financial statements

for the year ended 31 March 2021

f. Exceptional items

The Group classifies certain one-off charges or credits that have a material impact on the Group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Group.

g. Government grants

Government grants include grants receivable from Homes England, local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure under the accruals model.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the Group will comply with the conditions and that the funds will be received.

Grants due from government organisations or received in advance are included as current assets, current liabilities or non-current liabilities in accordance with the expected realisation of the income.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with Homes England. Government grants released on the sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income.

h. Other grants

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

i. Donated land and other assets

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

On disposal of an asset for which non-monetary government grant was received by the social landlord any unamortised grant remaining within liabilities is derecognised and recognised as income in the statement of comprehensive income.

j. Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution pension plans

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

Defined benefit pension plan

The Group operates defined benefit plans for certain employees. A defined benefit plan defines the benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 're-measurement of net defined benefit liability'.

The cost of the defined benefit plan, is recognised in profit or loss as employee costs, and comprises:

a) the increase in pension benefit liability arising from employee service during the period; and

b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost on defined benefit deficit is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'financing cost'.

Annual bonus plan

The Group operates an annual bonus plan for certain employees. An expense is recognised in the statement of comprehensive income when the Group has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

k. Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

l. Value added tax

The Group charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. Expenditure in the statement of comprehensive income includes VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

m. Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

Where a combination is between two public benefit entities, and the combination is at nil or nominal consideration and is, therefore, in substance a gift, any excess of the fair value of the assets received over the fair value of the liabilities assumed is recognised as a gain in profit and loss. This gain represents the gift of the value of one entity to another. If the fair value of the liabilities assumed exceeds the fair value of the assets received an expense is recognised in profit loss representing the net obligations assumed.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured, they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Notes to the financial statements

for the year ended 31 March 2021

On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life which is estimated to be ten years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised.

n. Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Category	Years
Software	3 - 5

Amortisation is included in 'operating costs' in the statement of comprehensive income.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use it or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

o. Housing properties

On transition to FRS 102 on 1 April 2014, the Group took the option to carry out a one-off valuation exercise of selected housing properties (for example properties with a large scale voluntary transfer (LSVT) history), valuing those properties on a EUV-SH basis, and using that amount as deemed cost upon transition.

Housing properties are properties held for the provision of social housing or to otherwise provide a social benefit. Housing properties are principally properties available for rent and are stated at cost (or deemed cost) less accumulated depreciation and impairment.

Cost includes original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use (including land for development, materials, direct labour expenses, other direct development costs and related overheads) and financing costs directly attributable to the housing properties.

i. Subsequent additions and major components

Works to existing properties, which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefit of the asset, are capitalised as improvements.

Repairs, maintenance and minor inspection costs are expensed as incurred.

ii. Assets in the course of construction

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on completion when the economic benefit associated with the property begins to flow to the Group.

iii. Shared ownership property categorisation

Expenditure on shared ownership properties is split proportionally between current and fixed assets based on the element relating to expected first tranche sales using historic geographic and demographic trend data alongside scheme appraisal data. The first tranche proportion is classed as a current asset and the related sales proceeds included in turnover, and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

iv. Depreciation and residual values

The Group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight-line basis, over its estimated useful economic life.

The Group uses the following useful lives for the major components of its housing properties:

Component	Years
Structure	100
Roofs	20 - 70
Lifts	40
Heating system (excluding boiler)	30
Windows & doors	20
Kitchens	20
Wetrooms	20
Boilers	15
Bathrooms	30

Freehold land is not depreciated.

Leasehold properties are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Any difference between the historic cost annual depreciation charge and the annual depreciation charge on assets carried at deemed cost is transferred between the revaluation reserve and the income and expenditure reserve until the revaluation reserve is depleted.

v. Housing property impairment

The Group considers individual schemes (collection of properties) to be separate cash generating units ('CGU') when assessing for impairment, in accordance with the requirements of FRS 102 and SORP 2014. Schemes are assessed annually for impairment indicators.

Where there is evidence of impairment, the recoverable amount of the fixed assets affected is determined and any impairment losses changed to the statement of comprehensive income.

We estimate any impairment to housing properties as follows:

a) Estimate the recoverable amount of the CGU;

b) Calculate the carrying amount of the CGU; and

c) Compare the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

The recoverable amount is taken to be the higher of the fair value less costs to sell or the value in use of an asset or CGU. The assessment of value in use may involve considerations of the service potential of the assets or CGUs or the present value of future cash flows to be derived appropriately adjusted to account for any restrictions on their use. Where value in use - service potential (VIU-SP) is to be determined, the calculation of Depreciated Replacement Cost (DRC) is considered a suitable measurement model.

Based on this assessment, we calculated the DRC using appropriate construction costs and land prices of each social housing property scheme. In these circumstances we consider the DRC to be the recoverable amount.

Where the carrying amount is greater than the recoverable amount, an impairment loss of the difference between the two, is taken to the income and expenditure account and a corresponding entry is made to reduce the carrying value of the asset.

vi. De-recognition

Housing properties are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount plus any social housing grant recyclable is recognised in profit or loss and included in 'Gain on disposal of housing properties and other property, plant and equipment'. The social housing grant is returned to the recycled capital grant fund and held for reinvestment in new social housing development or repayment to Homes England upon demand.

p. Other tangible fixed assets

Other tangible fixed assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

i. Depreciation and residual values

Component	Years
Computer equipment	3 - 5
Owned vehicles	4
Furniture, fixtures and fittings	5 - 33
Leasehold improvements	10 - 25
Leasehold / freehold office buildings	25

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method, to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Leased assets are depreciated over the life of the lease.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Notes to the financial statements

for the year ended 31 March 2021

ii. De-recognition

Other tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating gains / (losses).'

q. Investment property

Investment property consists of commercial properties and other properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in income and expenditure.

r. Borrowing costs

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents (a) interest on borrowings specifically financing the development programme after deduction of related grants received in advance; and (b) a fair amount of interest on borrowings of the company as a whole after deduction of social housing grant received in advance to the extent that they can be deemed to be financing the development programme.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

s. Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell. Inventories are recognised as an expense in the period in which the revenue is recognised.

Cost is determined on a first-in, first-out (FIFO) basis. Cost includes the purchase price, including taxes and duties and transport and handling costs directly attributable to bringing the inventory to its present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

t. Leased assets

At inception the Group assesses the agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

i. Finance leased assets

Leases that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on the inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

ii. Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

iii. Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the statement of comprehensive income, to reduce the lease expense, on a straight-line basis over the period of the lease.

u. Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit's) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If any impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

Goodwill is allocated on acquisition to the cash generating unit expected to benefit from the synergies of combination. Goodwill is included in the carrying value of cash generating units for impairment testing.

v. Investments

Investments in subsidiary company's and jointly controlled entities are held at cost less accumulated impairment losses.

w. Provisions and contingencies

i. Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

In particular:

- restructuring provisions are recognised when the Group has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and
- provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

ii. Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when inflow of economic benefits is probable.

x. Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i. Financial assets

Basic financial assets, including trade and other receivables, the liquidity deposit reserve (cash held in trust on account of loan facilities) and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii. Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that this is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services, deducted from the liability recognised and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii. Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

y. Revaluation reserve

Upon transition to FRS 102, the company utilised the transitional relief available and used the fair value of its housing properties as their deemed cost. Therefore the difference between the fair value of social housing properties and the historical cost carrying value was credited to the revaluation reserve. The difference between historical cost depreciation and depreciation charged on the fair value balance is transferred from the revaluation reserve to the income and expenditure reserve

4. Critical accounting judgements and estimation uncertainty

The Group makes estimates and assumptions concerning the future. Estimates and judgements are based on historical experience and future expectations but by definition, will seldom equal the related actual results. The judgements and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a. Critical judgements in applying the entity's accounting policies

i. Operating surplus

Operating surplus is shown including the following as these are part of our usual operating activity

- Gain on disposal of housing properties and other property, plant and equipment; and
- Share of operating profit / (loss) in joint ventures.

Management have made a judgement that the movement in fair value of investment properties does not form part of our usual operating cycle based on the existing use of the assets and the gift on transfer of engagement is not part of our operating cycle as it relates to a one-off transaction being the coming together of two public benefit entities.

ii. Housing Property Impairment

As part of the Group's continuous review of the performance of its assets, management identify properties that have increasing void losses, are impacted by government policy changes (such as welfare reform changes or rent reductions), have significant damage or require significant repair spend or are marked for disposal. These factors are considered to be indicators of impairment.

Where there is evidence of impairment, the recoverable amount of the fixed asset affected is determined and any impairment losses are charged to the statement of comprehensive income. Management has identified some impairment indicators during the year, such as properties marked for disposal, but determined that the fair value less cost to sell those properties exceed their carrying amount and therefore no impairment loss has occurred during the financial year (2020: none).

iii. Capitalisation of development and property enhancement spend

The company capitalises expenditure on its housing properties in accordance with its policy in 3(p). Initial capitalisation of development expenditure is based on management's judgement that a development scheme is confirmed, usually upon Board approval and when relevant permissions are in place to complete the development. Management judgement is used to determine when a distinguishable component is replaced, and expenditure is capitalised when it enhances the economic value of a property.

b. Key accounting estimates and assumptions

i. Fair values on acquisition of Victory Housing Trust by Flagship Housing Group Limited

The fair value of tangible and intangible assets and liabilities acquired by Flagship Housing Group Limited by transfer of engagement from Victory Housing Trust involved the use of valuation techniques and the estimation of future cash flows to be generated over a number of years. The estimation of the fair values requires a combination of assumptions including revenue growth due to inflation of rental values, rental property mix and estimates in respect of voids and bad debt exposure as well as judgement required to use an appropriate discount rate.

The outcome of this review can be found at note 35 to these financial statements.

ii. Deferred tax provisions

Provision is made for future tax liabilities. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements.

iii. Defined benefit ('DB') pension scheme

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. For details of assumptions adopted, see note 31.

At 31 March 2020 COVID-19 created significant volatility in financial markets which resulted in a material impact on liabilities. The primary driver for the fall in DB scheme liabilities at 31 March 2020 was a favourable change in financial assumptions, notably future pension inflation at 31 March 2020, significant reducing liabilities at that date. At 31 March 2021 these assumptions have broadly normalised and liabilities have returned to levels seen prior to COVID-19.

iv. Revaluation of investment properties

The Group carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The Group engages independent experts to determine the fair value of its investment properties at the balance sheet date. The estimation of the fair values requires the combination of assumptions including revenue growth, estimates in respect of voids and bad debt exposure, investment required in maintenance and improvement as well as judgement to use an appropriate discount rate. For details of assumptions adopted, see note 15.

The Group's market rented property portfolio is valued on an MV-STT basis. The Group has not seen a deterioration in arrears or voids across its market rented portfolio with demand broadly outstripping supply throughout the year. As a result, the valuation undertaken at 31 March 2021 returned a valuation uplift of £2.8m. The Group considers this to be reasonable based on inflationary rent increases, the strong underlying market value of its properties and its experience to date in respect of the impact of COVID-19.

The Group's student accommodation portfolio is valued on a discounted cash flow basis. International language schools have seen considerable disruption as a consequence of COVID-19 due to international travel restrictions. At 31 March 2021, the Group has taken the decision to extend its lower occupancy, higher void risk, and lower rental increase assumptions out for a further two years to address the inherent ongoing uncertainty to international travel despite UK society starting to reopen. Consequently, the Group recognised a £1m revaluation loss on its student accommodation portfolio at 31 March 2021.

v. Housing property allocation

Where schemes under construction are mixed tenure, costs are split using a suitable method such as area (square footage) or rental yield. The allocation of the cost of shared ownership schemes under construction between inventories and housing properties is determined by past experience. Historically the Group has seen a 45% shared ownership first tranche disposal but with changes to shared ownership in the coming years, such as 10% first tranches and 1% staircasing our experience may change and management will make a suitable estimate based on the Group's experience in the year and in previous years. Management forecast the market value of shared ownership properties on a scheme-by-scheme basis which informs the current element allocated to stock accordingly. The estimate influences stock valuations in note 10 and housing properties under construction in note 14.

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vi. Useful economic lives of tangible assets

The estimated depreciation charge for tangible assets (including components) is sensitive to changes in the estimated useful lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and physical condition of the assets. See note 3(o) and 3(p) for the useful economic lives for each class of assets.

vii. Impairment of debtors

The Group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of the debtors and historical experience.

The arrears of current tenants are provided for when the balance becomes aged by greater than 16 weeks. The arrears balance of former tenants is provided for in full. See note 21 for further detail.

viii. Inventory provision

The Group maintains certain stock items on its vans to enable operatives to make the necessary repairs in accordance with the services provided by the Group. Repair parts evolve over time and are replaced with new parts with improved performance and safety certification. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated usability of parts and new parts on the market which might replace current stock items before they are utilised.

The Group designs and constructs new build residential properties for the open market. The nature of housebuilding is capital intensive and as a result it is necessary to consider the recoverability of the cost of inventory, through a review of the existence of impairment indicators. Management consider the value of inventory in line with expected future cash inflows from the sale of residential property. Where the future cash inflow is expected to be lower than the cost to complete the residential property an impairment is required to reduce the value of work in progress to its net realisable value. See note 10 for further detail.

5. Particulars of turnover, cost of sales, operating costs and operating surplus

5(a) Group

	Year ended 31 March 2021				
	Turnover	Cost of Sales	Operating costs	Other operating activities	Operating surplus
	£'000	£'000	£'000	£'000	£'000
Social housing lettings	153,594	-	(99,161)	-	54,433
Other social housing activities					
- *Shared ownership property first tranche sales*	16,535	(10,884)	-	-	5,651
- *Gain on disposal of housing properties*	-	-	-	9,369	9,369
- *Other*	380	-	125	-	505
	170,509	**(10,884)**	**(99,036)**	**9,369**	**69,958**
Activities other than Social Housing	29,641	(19,218)	(11,392)	-	(969)
Loss on disposal of other fixed assets	-	-	-	(16)	(16)
Share of operating profits in joint ventures	-	-	-	480	480
Total	**200,150**	**(30,102)**	**(110,428)**	**9,833**	**69,453**

	Year ended 31 March 2020				
	Turnover	Cost of Sales	Operating costs	Other operating activities	Operating surplus
	£'000	£'000	£'000	£'000	£'000
Social housing lettings	137,737	-	(82,668)	-	55,069
Other social housing activities					
- *Shared ownership property first tranche sales*	9,883	(6,816)	-	-	3,067
- *Gain on disposal of housing properties*	-	-	-	8,442	8,442
- *Other*	323	-	(128)	-	195
	147,943	**(6,816)**	**(82,796)**	**8,442**	**66,773**
Activities other than Social Housing	40,305	(21,685)	(13,630)	-	4,990
Gain on disposal of other fixed assets	-	-	-	138	138
Share of operating losses in joint ventures	-	-	-	(244)	(244)
Total	**188,248**	**(28,501)**	**(96,426)**	**8,336**	**71,657**

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for the year ended 31 March 2021

5. Turnover, Operating Costs and Operating Surplus (continued)

5(b) Company

	Year ended 31 March 2021				
	Turnover	Cost of Sales	Operating costs	Other operating activities	Operating surplus
	£'000	£'000	£'000	£'000	£'000
Social housing lettings	132,576	-	(85,243)	-	47,333
Other social housing activities					
- *Shared ownership property first tranche sales*	15,837	(10,445)	-	-	5,392
- *Gain on disposal of housing properties*	-	-	-	6,059	6,059
- *Other*	157	-	(9)	-	148
	148,570	**(10,445)**	**(85,252)**	**6,059**	**58,932**
Activities other than Social Housing	20,126	-	(15,700)	-	4,426
Loss on disposal of other fixed assets	-	-	-	(3)	(3)
Total	**168,696**	**(10,445)**	**(100,952)**	**6,056**	**63,355**

	Year ended 31 March 2020				
	Turnover	Cost of Sales	Operating costs	Other operating activities	Operating surplus
	£'000	£'000	£'000	£'000	£'000
Social housing lettings	113,047	-	(77,491)	-	35,556
Other social housing activities					
- *Shared ownership property first tranche sales*	7,254	(4,864)	-	-	2,390
- *Gain on disposal of housing properties*	-	-	-	2,787	2,787
- *Other*	63	-	(1)	-	62
	120,364	**(4,864)**	**(77,492)**	**2,787**	**40,795**
Activities other than Social Housing	19,217	-	(5,000)	-	14,217
Loss on disposal of other fixed assets	-	-	-	(18)	(18)
Total	**139,581**	**(4,864)**	**(82,492)**	**2,769**	**54,994**

6. Particulars of income and expenditure from social housing lettings

6(a) Group

	General needs housing	Supported Housing and housing for older people	Keyworker housing	Shared ownership	Total 2021	Total 2020
	£'000	£'000	£'000	£'000	£'000	
Rents receivable net of identifiable service charges	129,433	9,569	112	5,189	**144,303**	131,202
Service charge income	2,153	2,342	4	260	**4,759**	4,086
Amortised government grants (note 26)	1,983	215	1	126	**2,325**	2,313
Other grants receivable	2,190	12	-	5	**2,207**	136
Turnover from social housing lettings	**135,759**	**12,138**	**117**	**5,580**	**153,594**	137,737
Management	19,940	1,812	6	846	**22,604**	15,991
Service charge costs	5,806	1,509	31	357	**7,703**	6,066
Routine maintenance	28,853	428	-	-	**29,281**	23,285
Cyclical maintenance	5,913	318	-	-	**6,231**	7,054
Bad debts	874	84	-	85	**1,043**	1,558
Depreciation of housing properties (including loss on replacement of components (note 9)	23,757	2,483	9	1,481	**27,730**	24,731
Depreciation / amortisation of other tangible and intangible assets	3,915	411	1	242	**4,569**	3,983
Operating expenditure on social housing lettings	**89,058**	**7,045**	**47**	**3,011**	**99,161**	82,668
Operating surplus on lettings	46,701	5,093	70	2,569	**54,433**	55,069
Rent losses from voids	*(1,283)*	*(305)*	-	-	***(1,588)***	*(1,020)*

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for the year ended 31 March 2021

6. Income and expenditure from social housing lettings (continued)

6(b) Company

	General needs housing	Supported Housing and housing for older people	Keyworker housing	Shared ownership	Total 2021	Total 2020
	£'000	£'000	£'000	£'000	£'000	
Rents receivable net of identifiable service charges	113,249	7,907	112	4,515	**125,783**	107,531
Service charge income	1,572	2,280	4	235	**4,091**	3,203
Amortised government grants (note 26)	2,032	215	1	126	**2,374**	2,313
Other grants receivable	328	-	-	-	**328**	-
Turnover from social housing lettings	**117,181**	**10,402**	**117**	**4,876**	**132,576**	113,047
Management	17,227	1,519	6	1,241	**19,993**	25,066
Service charge costs	5,109	1,435	31	327	**6,902**	4,964
Routine maintenance	24,710	126	-	-	**24,836**	18,508
Cyclical maintenance	4,844	204	-	-	**5,048**	4,187
Bad debts	709	66	-	78	**853**	1,446
Depreciation of housing properties (including loss on disposal of components) (note 9)	21,407	2,236	9	927	**24,579**	20,796
Depreciation / amortisation of other tangible fixed assets and intangible assets	2,598	273	1	160	**3,032**	2,524
Operating expenditure on social housing lettings	**76,604**	**5,859**	**47**	**2,733**	**85,243**	77,491
Operating surplus on lettings	40,577	4,543	70	2,143	**47,333**	35,556
Rent losses from voids	*(1,120)*	*(288)*	-	-	***(1,408)***	*(833)*

7. Particulars of turnover from non-social housing lettings

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
Lettings				
Market rented property	**3,147**	2,453	**3,147**	2,453
Student accommodation	**3,213**	3,959	**3,213**	3,959
Private garages	**530**	672	**530**	672
Commercial property	**48**	57	**48**	45
Other				
Management charges	**-**	-	**11,772**	9,914
Property sales	**2,187**	7,962	**-**	70
Gas servicing	**18,178**	22,325	**-**	-
Other income	**2,338**	2,877	**1,416**	2,104
	29,641	40,305	**20,126**	19,217

8. Gain on disposal of housing properties and other property, plant and equipment

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
Disposal proceeds	**14,576**	13,820	**10,640**	6,179
Costs incurred (including carrying value of asset)	**(5,172)**	(5,043)	**(4,533)**	(3,213)
	9,404	8,777	**6,107**	2,966
Capital grant recycled (note 28)	**(51)**	(197)	**(51)**	(197)
	9,353	8,580	**6,056**	2,769

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9. Operating surplus

Operating surplus is stated after charging:

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
Depreciation of housing properties	25,130	23,389	21,979	19,454
Loss on replacement of components	2,600	1,342	2,600	1,342
Depreciation of other assets	2,603	2,078	1,963	1,620
Amortisation of intangible assets	1,966	2,033	1,069	1,000
Repairs and maintenance expenditure on housing properties	35,020	30,339	29,883	22,695
Operating lease rentals:				
Rent of office buildings	781	839	513	529
Hire of plant and machinery	851	1,236	48	33
Auditors remuneration (excluding VAT):				
- Fees payable to the company's auditors for the audit of the parent and group financial statements	35	45	35	45
- Audit of the accounts of subsidiaries	44	41	-	-
- Other services	5	8	5	8
Bad debt provision	1,181	1,610	850	1,494

10. Stock

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
Raw materials and consumables	1,382	1,270	505	-
Completed properties for sale	12,919	7,221	9,628	6,182
Work in progress	40,541	24,099	-	-
	54,842	32,590	10,133	6,182

There is no significant difference between the replacement cost and their carrying amounts.

Raw materials and consumables are stated after provisions for impairment of £nil (2020: £51,000).

11. Employees

Average monthly number of employees expressed as full-time equivalents (calculated based on a standard working week of 37 hours):

	Group 2021	Group 2020	Company 2021	Company 2020
	Number	Number	Number	Number
Housing and central services	513	427	476	394
Repairs, maintenance and capital improvement services	734	700	-	-
	1,247	1,127	476	394

Employee costs:

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
Wages and salaries	42,144	37,207	15,891	14,022
Social security costs	4,353	3,700	1,928	1,508
Pension costs	3,556	3,217	2,326	2,060
Total staff costs	50,053	44,124	20,145	17,590

Salary banding for all Group employees earning over £60,000 (including salaries and benefits in kind and compensation for loss of office, but excluding pension contributions paid by the employer):

	31 March 2021	31 March 2020		31 March 2021	31 March 2020
£60,000 to £70,000	6	21	£160,001 to £170,000	1	2
£70,001 to £80,000	16	2	£170,001 to £180,000	2	-
£80,001 to £90,000	10	7	£180,001 to £190,000	1	-
£90,001 to £100,000	2	4	£190,001 to £200,000	-	1
£100,001 to £110,000	6	5	£200,001 to £210,000	-	-
£110,001 to £120,000	2	3	£210,001 to £220,000	2	-
£120,001 to £130,000	3	1	£220,001 to £230,000	1	-
£130,001 to £140,000	1	-	£280,001 to £290,000	-	1
£140,001 to £150,000	4	1	£290,001 to £300,000	1	-

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12. Board members and Executive Directors

Directors are defined as the nine (2020: nine) non-executive members of the Flagship Housing Group Limited Board together with the four executive members of the Board (2020: four) in office at the end of the period. The senior management team is defined as operational directors (which comprises senior management from the company and its subsidiary undertakings) and the board members of the housing boards and comprised 34 members (2020: 14). Board member remuneration during the year was:

	2021	2020
	£'000	£'000
Peter Hawes	30	29
Philip Burton	20	18
Peter Baynham	18	14
Robert Bennett	18	17
Stephen Cook	18	3
Doris Jamieson	18	14
Matthew Peak	13	2
Paul Remington	18	17
Carole Taylor-Brown	13	2
Total emoluments – non-executive	166	116
Emoluments (including social security costs of £111,000 (2020: £107,000) – executive	842	916
Pension scheme contributions – executive	75	73
Emoluments (including social security costs of £239,000 (2020: £163,000) – Operational directors	1,959	1,409
Pension scheme contributions – Operational directors	314	215
Total Key Management compensation – 31 directors (2020: 28)	**3,356**	2,729
Emoluments of the highest paid director	296	289
Pension contributions of the highest paid director	-	-
	296	289

Retirement benefits are accruing to all the executive directors under a defined contribution scheme with no enhanced or special terms. Flagship has purchased Directors' and Officers' Liability Insurance for the Non-Executive Directors, Executive Directors and staff of the Company.

13. Taxation

a. Tax expense included in profit or loss

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
Current tax:				
Corporation tax charge on profit in the year	-	2	-	2
Adjustments in respect of prior periods	3	(11)	3	7
Total current tax charge / (credit)	3	(9)	3	9
Deferred tax:				
Origination of temporary differences	(44)	17	-	-
Impact of change in tax rate	8	13	-	-
Total deferred tax charge / (credit)	(36)	30	-	-
Tax charge / (credit) on profit on ordinary activities	(33)	21	3	9

b. Reconciliation of tax charge

Tax assessed for the year is lower (year ended 31 March 2020: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2021 of 19% (year ended 31 March 2020: 19%). The differences are explained below:

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
Surplus for the year before taxation	46,096	62,292	181,262	49,520
Profit multiplied by the standard rate of corporation tax in the UK of 19% (year ended 31 March 2020: 19%)	8,758	11,835	34,440	9,409
Effects of:				
- Charitable non-taxable income	(8,758)	(11,734)	(34,431)	(9,407)
- Loss relief from subsidiary undertaking	-	-	(9)	
- Expenses not deductible for tax purposes	-	2	-	-
- Deferred tax not recognised	(44)	(71)	-	-
- Impact of change in tax rate	8	-	-	-
- Adjustments to tax charge in respect of prior years	3	(11)	3	7
Tax charge for the year	(33)	21	3	9

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13. Taxation (continued)

c. Tax rate changes

The Finance Act 2020 (which received Royal Assent on 22 July 2020) set the corporation tax rate at 19% for the year ended 31 March 2021 and 31 March 2022. The 'Finance Bill 2021' (also referred to as 'Finance (No 2) Bill') further announced that the corporation tax rate will remain at 19% until 31 March 2023 and from 1 April 2023 it will increase to 25% for profits over £250,000 with a marginal rate returning for profits between £50,000 and £250,000. The Finance Bill 2021 is expected to receive Royal Assent in July 2021.

d. Provision for deferred tax

The deferred tax provision on the balance sheet relates to accelerated capital allowances. At 31 March 2021 the Group has a future liability of £100,000 (2020: £136,000).

14. Tangible fixed assets – Housing properties

14(a) Housing property net book value - Group

	Housing properties	Shared ownership properties	Property under construction	Total
	£'000	£'000	£'000	£'000
At 1 April 2020				
Cost	1,775,543	102,569	32,923	1,911,035
Accumulated depreciation	(202,665)	(8,860)	-	(211,525)
Net book amount	1,572,878	93,709	32,923	1,699,510
Year ended 31 March 2021				
Opening net book amount	1,572,878	93,709	32,923	1,699,510
Additions	258	-	79,513	79,771
Interest capitalised	-	-	1,371	1,371
Completed property additions	38,696	18,654	(57,350)	-
Improvement works to existing properties	20,178	-	-	20,178
Transfer of shared ownership properties to inventories	-	-	(13,563)	(13,563)
Depreciation	(24,023)	(1,107)	-	(25,130)
Disposals	(5,730)	(1,480)	-	(7,210)
Closing net book amount	1,602,257	109,776	42,894	1,754,927
At 31 March 2021				
Cost	1,826,064	119,809	42,894	1,988,767
Accumulated depreciation	(223,807)	(10,033)	-	(233,840)
Net book amount	1,602,257	109,776	42,894	1,754,927

14(b) Housing property net book value - Company

	Housing properties	Shared ownership properties	Property under construction	Total
	£'000	£'000	£'000	£'000
At 1 April 2020				
Cost	1,603,683	91,382	25,232	1,720,297
Accumulated depreciation	(197,664)	(8,702)	-	(206,366)
Net book amount	1,406,019	82,680	25,232	1,513,931
Year ended 31 March 2021				
Opening net book amount	1,406,019	82,680	25,232	1,513,931
Additions	258	-	70,967	71,225
Interest capitalised	-	-	1,371	1,371
Completed property additions	36,749	18,654	(55,403)	-
VHT acquisition additions	190,168	14,238	10,732	215,138
Improvement works to existing properties	19,017	-	-	19,017
Transfer of shared ownership properties to inventories	-	-	(13,563)	(13,563)
Depreciation	(21,052)	(927)	-	(21,979)
Disposals	(5,167)	(1,455)	-	(6,622)
Closing net book amount	1,625,992	113,190	39,336	1,778,518
At 31 March 2021				
Cost	1,841,966	122,623	39,336	2,003,925
Accumulated depreciation	(215,974)	(9,433)	-	(225,407)
Net book amount	1,625,992	113,190	39,336	1,778,518

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for the year ended 31 March 2021

14(c) Social housing assistance

The below table presents the accumulated social housing assistance received by the company and recognised through the statement of comprehensive income following the transition to FRS 102 on 1 April 2016.

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
Total accumulated social housing grant received or receivable at 31 March:				
Recognised in the Statement of comprehensive income as amortisation of social housing grant	14,043	11,718	14,045	11,671
Held as deferred income	198,894	193,904	196,706	192,041
	212,937	205,622	210,751	203,712

14(d) Impairment

No impairment charge has been made for the year ended 31 March 2021 (2020: £nil).

15. Investment properties

Investment properties were valued at 31 March 2021 by Carter Jonas LLP and Savills (UK) Limited (part of the Savills Group), independent qualified external valuers. The valuation was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards.

	Market rented property		Student accommodation property	
	2021	2020	2021	2020
Assumptions				
Discount rate	5.00%	5.00%	9.00%	9.00%
Annual rate of inflation:				
- Year 1	0.50%	1.50%	3.00%	3.00%
- Year 2	5.20%	1.75%	3.00%	3.00%
- Year 3	3.80%	1.75%	3.00%	3.00%
- Year 4	3.50%	2.00%	3.00%	3.00%
- Year 5 onwards	3.30%	2.00%	3.00%	3.00%
Level of long-term rent increase:				
- Year 1	CPI - 0.10%	CPI + 1%	0%	0%
- Year 2	CPI - 1.20%	CPI + 1%	0%	0%
- Year 3	CPI + 0.30%	CPI + 1%	CPI - 1%	CPI - 1%
- Year 4	CPI	CPI + 1%	CPI - 1%	CPI - 1%
- Year 5 onwards	CPI + 0.20%	CPI + 1%	CPI - 1%	CPI - 1%

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
Valuation				
At 1 April	72,724	64,006	72,724	64,338
FRS 102 triennial valuation adjustment	-	-	-	(332)
Additions	-	9,692	-	9,692
Disposal	(274)	-	(274)	-
Revaluation	1,824	(974)	1,824	(974)
At 31 March	74,274	72,724	74,274	72,724

The Group's market rented property portfolio is valued on an MV-STT basis. At the date of signing these financial statements the Group continues to see strong occupancy rates and healthy demand within the rental market. Therefore, the Group considers the valuation undertaken at 31 March 2021 to be a reasonable approximation of market valuation at that date.

The Group student accommodation portfolio is valued on a discounted cash flow basis. Management have reviewed the assumptions used in the valuation and conclude that they are sufficiently prudent to reasonably take account of on-going uncertainty within the sector due to COVID-19.

The future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
Not later than one year	2,830	3,338	2,830	3,338
Later than one year and not later than five years	1,059	3,473	1,059	3,473
	3,889	6,811	3,889	6,811

The company and Group had no contingent rent arrangements within its investment property portfolio.

Notes to the financial statements

for the year ended 31 March 2021

16. Housing Stock

Group

	No. of properties				
	2020	Additions	Converted/ Reclassified	Disposals	2021
Social housing					
General housing:					
- Social rent	23,223	1	5	(120)	23,109
- Affordable rent	2,015	202	(7)	(1)	2,209
Sheltered housing:					
- Social rent	1,951	-	1	(18)	1,934
Supported housing and housing for older people:					
- Social rent	829	-	(4)	(2)	823
- Affordable rent	8	-	-	-	8
Intermediate rented properties	1,041	89	2	-	1,132
Shared ownership	1,482	169	2	(19)	1,634
Total owned	**30,549**	**461**	**(1)**	**(160)**	**30,849**
Accommodation managed for others	9	-	-	-	9
Total managed	**9**	**-**	**-**	**-**	**9**
Non-social housing					
Market rented accommodation	348	-	-	(2)	346
Student accommodation	600	-	-	-	600
Other	23	-	(2)	-	21
Total non-social housing	**971**	**-**	**(2)**	**(2)**	**967**
Total owned and managed	**31,529**	**461**	**(3)**	**(162)**	**31,825**

Company

	No. of properties				
	2020	Additions	Converted/ Reclassified	Disposals	2021
Social housing					
General housing:					
- Social rent	19,525	3,667	-	(83)	23,109
- Affordable rent	1,200	1,014	(4)	(1)	2,209
Sheltered housing:					
- Social rent	1,951	-	1	(18)	1,934
Supported housing and housing for older people:					
- Social rent	355	471	(1)	(2)	823
- Affordable rent	-	8	-	-	8
Intermediate rented properties	1,000	132	-	-	1,132
Shared ownership	1,297	350	5	(18)	1,634
Total owned	**25,328**	**5,642**	**1**	**(122)**	**30,849**
Accommodation managed for others	9	-	-	-	9
Total managed	**9**	**-**	**-**	**-**	**9**
Non-social housing					
Market rented accommodation	348	-	-	(2)	346
Student accommodation	600	-	-	-	600
Other	20	1	(2)	-	19
Total non-social housing	**968**	**1**	**(2)**	**(2)**	**965**
Total owned and managed	**26,305**	**5,643**	**(1)**	**(124)**	**31,823**

The company manages nine properties for Peal Community Housing Limited, a registered social landlord operating in Suffolk.

Included within social housing additions are 3,666 social rent general needs properties, 823 affordable rent general needs properties, 471 social rent supported housing and housing for older people properties, eight affordable rent supported housing and housing for older people, 43 intermediate rented properties and 190 shared ownership properties acquired from Victory Housing Trust upon transfer of engagement.

Notes to the financial statements

for the year ended 31 March 2021

17. Intangible fixed assets

Group

	Goodwill	IT Software	Group Total
	£'000	£'000	£'000
At 1 April 2020			
Cost	8,346	7,096	15,442
Accumulated amortisation	(2,474)	(4,769)	(7,243)
Net book amount	**5,872**	**2,327**	**8,199**
Year ended 31 March 2021			
Opening net book amount	5,872	2,327	8,199
Additions	-	1,287	1,287
Amortisation	(841)	(1,125)	(1,966)
Closing net book amount	**5,031**	**2,489**	**7,520**
At 31 March 2021			
Cost	8,346	8,383	16,729
Accumulated amortisation	(3,315)	(5,894)	(9,209)
Net book amount	**5,031**	**2,489**	**7,520**

Company

	IT Software	Company Total
	£'000	£'000
At 1 April 2020		
Cost	6,573	6,573
Accumulated depreciation	(4,337)	(4,337)
Net book amount	**2,236**	**2,236**
Year ended 31 March 2021		
Opening net book amount	2,236	2,236
Additions	1,286	1,286
VHT additions	23	23
Amortisation	(1,069)	(1,069)
Closing net book amount	**2,476**	**2,476**
At 31 March 2021		
Cost	7,882	7,882
Accumulated depreciation	(5,406)	(5,406)
Net book amount	**2,476**	**2,476**

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for the year ended 31 March 2021

18. Other tangible assets

Group

	Office buildings and leasehold improvements	Plant and equipment	Total
	£'000	£'000	£'000
At 1 April 2020			
Cost	5,734	18,312	24,046
Accumulated depreciation	(2,264)	(10,619)	(12,883)
Net book amount	**3,470**	**7,693**	**11,163**
Year ended 31 March 2021			
Opening net book amount	3,470	7,693	11,163
Additions	-	1,960	1,960
Depreciation	(171)	(2,432)	(2,603)
Disposals	-	(31)	(31)
Closing net book amount	**3,299**	**7,190**	**10,489**
At 31 March 2021			
Cost	5,734	19,983	25,717
Accumulated depreciation	(2,435)	(12,793)	(15,228)
Net book amount	**3,299**	**7,190**	**10,489**

All assets have been reviewed for impairment and no impairment has been identified.

The net carrying amount of assets held under finance leases included in other property, plant and equipment is £4,080,000 (2020: £4,165,000).

Company

	Office buildings and leasehold improvements	Plant and equipment	Total
	£'000	£'000	£'000
At 1 April 2020			
Cost	4,964	11,544	16,508
Accumulated depreciation	(1,955)	(5,660)	(7,615)
Net book amount	**3,009**	**5,884**	**8,893**
Year ended 31 March 2021			
Opening net book amount	3,009	5,884	8,893
Additions	-	1,843	1,843
VHT Acquisition	-	1,040	1,040
RFT Acquisition	-	281	281
Depreciation	(162)	(1,801)	(1,963)
Disposals	-	(29)	(29)
Closing net book amount	**2,847**	**7,218**	**10,065**
At 31 March 2021			
Cost	4,964	14,620	19,584
Accumulated depreciation	(2,117)	(7,402)	(9,519)
Net book amount	**2,847**	**7,218**	**10,065**

All assets have been reviewed for impairment and no impairment has been identified.

The net carrying amount of assets held under finance leases included in other property, plant and equipment is £4,080,000 (2020: £4,121,000).

Notes to the financial statements

for the year ended 31 March 2021

19. Investments in subsidiaries and other investments

The Group includes the following companies registered in the United Kingdom:

Name	Company registration number	Ownership	Nature of business
Flagship Housing Group Limited	IP031211	N/A	Housing Association
Flagship Housing Developments Limited	05131085	100%	Development
RFT Repairs Limited	08341166	100%	Repairs and maintenance
Gasway Services Limited	04158628	100%	Gas servicing
Blue Flame (Colchester) Limited *	05086439	100%	Gas servicing
Hopestead CIO	1190324	N/A	Registered Charity
RFT Repairs & Maintenance Limited	08417425	100%	Dormant
East Anglian Lettings Limited	08421578	100%	Dormant
Flagship Community Housing Limited	09892942	100%	Dormant
North Norfolk Housing Company Limited	05999428	100%	Dormant
Flagship Finance PLC	13448782	100%	Finance vehicle - Incorporated 10 June 21

* Subsidiary of Gasway Services Limited

All of the above subsidiaries, that existed at 31 March 2021, are included in the consolidation. The company's investment is direct ownership unless otherwise stated and the cost of investment is presented below:

Cost of investment:	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
At 1 April	13,388	13,372	59,203	59,187
Additions	52	16	21,051	16
At 31 March	13,440	13,388	80,254	59,203
Group companies	-	-	66,814	45,815
Liquidity deposit reserve	13,438	13,386	13,438	13,386
Other investments	2	2	2	2
	13,440	13,388	80,254	59,203

20. Investments in joint ventures

The Group has a direct interest in two joint venture undertakings, Evera Homes LLP (25% share) and Lovell Flagship LLP (50% share), structured as limited liability partnerships, to partner with local developers and other housing associations to deliver larger scale residential developments for which, individually, the risk profile would be unattractive.

The Group applies the equity method to value its joint venture activities with any gain or loss recognised through the statement of comprehensive income.

The joint venture undertakings are funded by way of non-current loan receivable instruments (member's loans), structured similar to a revolving credit facility, governed by the member's loan agreement, and not through a member's capital injection. This provides the joint venture with flexible funding to invest in working capital in line with build plan requirements but also facilitates the return of cash to members through loan repayment as cash is released through the sale of new build property.

The Group monitors the performance of its joint venture undertakings to support the recoverability of its loan receivables. If an impairment indicator is identified the Group undertakes a thorough impairment review and any impairment loss would be expensed through the statement of comprehensive income.

The Group actively participates in the following joint venture activities:

Name	Company registration number	Ownership	Nature of business
Evera Homes LLP	OC423288	25%	Development
Evera Developments Limited *	11974181	25%	Dormant
Littleport Developments LLP **	OC435041	12.5%	Development
RAF Upwood LLP ***	OC427200	25%	Dormant
RAF Upwood Developments LLP ***	OC427643	25%	Development
Lovell Flagship LLP	OC427790	50%	Development

* Evera Developments Limited is a 100% owned subsidiary of Evera Homes LLP.

** Littleport Developments LLP is a 50% owned joint venture by Evera Homes LLP with Vistry Homes Limited and its principal objective is to develop a site at Littleport, Cambridgeshire.

*** RAF Upwood LLP and RAF Upwood Developments LLP are owned and controlled by Evera Homes LLP and their principal objective is to develop the former RAF site at Upwood, Cambridgeshire.

The registered address of Evera Homes LLP, Evera Developments Limited, RAF Upwood LLP and RAF Upwood Developments LLP is 31 King Street, Norwich, Norfolk. NR1 1PD. The registered address of Littleport Developments Limited is 11 Tower View Kings Hill, West Malling, ME19 4UY. The registered address of Lovell Flagship LLP is Kent House, 14-17 Market Place, London. W1W 8AJ.

Evera Homes LLP has a coterminous year-end with the Group. Lovell Flagship LLP has a 31 December year-end.

The Group has injected member's capital into Evera Homes LLP of £1 and member's capital into Lovell Flagship LLP of £50.

The Group held the following investment in joint ventures at 31 March 2021:

	31 March 2021	31 March 2020
	£'000	£'000
Opening balance at start of period	7,210	1,250
Additional member's loan paid to JV	5,429	6,204
Share of profits / (losses) for the period	236	-
Provision against carrying value of joint ventures	244	(244)
Closing balance at end of period	13,119	7,210

Notes to the financial statements

for the year ended 31 March 2021

20. Investments in joint ventures (continued)

	Evera Homes LLP		Lovell Flagship LLP	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
At 31 March 2021	£'000	£'000	£'000	£'000
Non-current loan receivable	4,250	3,450	8,633	4,004
Share of profits included in member's interests	187	-	49	-
Provision against carrying value	-	(244)	-	-
	4,437	3,206	8,682	4,004

During the year, the Group assessed the carrying value of its investment in joint ventures and determined that it was not impaired at the period end date based on the performance of the joint ventures during the financial year.
The Group's share of assets and liabilities of jointly controlled entities is as follows:

	31 March 2021	31 March 2020
	£'000	£'000
Current assets	12,777	10,057
Non-current assets	1,738	-
Current liabilities	(1,075)	(3,770)
Non-current liabilities (or member's loans)	(12,639)	(7,454)
Net assets / (liabilities) at balance sheet date	801	(1,167)

The Group's share of assets and liabilities of jointly controlled entities is as follows:

Revenue	4,414	725
Expenses	(3,900)	(1,003)
Share of profit / (loss) for the period	514	(278)

21. Trade and other debtors

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
Rent arrears				
- Amounts due from tenants	10,796	9,521	10,796	7,923
- Bad and doubtful debt provision	(6,268)	(5,597)	(6,268)	(4,989)
Other trade debtors				
- Amounts due from other trade debtors	4,325	3,100	1,061	298
Other debtors	509	434	314	286
Amounts owed by Group undertakings	-	-	1,740	2,168
VAT	111	228	-	40
Prepayments and accrued income	6,640	12,692	1,617	2,592
	16,113	20,378	9,260	8,318

Amounts owed by Group undertakings are unsecured, interest free, and have no fixed date of repayment and are repayable on demand. Included in 'other debtors' is a non-current receivable of £90,000 (31 March 2020: £90,000) relating to a security for a trade body membership, which would become repayable upon cessation of trade body membership.

22. Creditors: amounts falling due within one year

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
Trade creditors	8,046	7,894	5,228	3,258
Amounts due to Group undertakings	-	-	1,624	746
Other creditors	5,220	3,672	4,981	3,187
Other taxes and social security costs	1,493	1,358	858	484
Accruals and deferred income	28,647	23,471	17,801	14,867
Bank loans and overdrafts (note 24)	63,944	56,695	65,438	44,827
Obligations under finance leases and hire purchase contracts (note 24)	1,850	1,836	1,849	1,808
Deferred capital grant (note 27)	2,330	2,322	2,325	2,320
Recycled Capital Grant Fund (note 28)	1,153	1,761	1,153	1,761
Corporation tax	2	2	2	2
	112,685	99,011	101,259	73,260

Amounts owed to Group undertakings are unsecured, interest free, and have no fixed date of repayment and are repayable on demand.

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

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (note 24)	746,274	749,496	750,505	681,477
Obligation under finance leases and hire purchase contracts (note 24)	15,434	16,116	15,434	16,116
Accruals and deferred income	444	487	450	486
Deferred Capital Grant (note 27)	196,564	191,582	194,381	189,721
	958,716	957,681	960,770	887,800

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for the year ended 31 March 2021

24. Loans and other borrowings

The Group's bank debt portfolio is secured by a floating charge over the assets of the Group and by fixed charges on individual properties. Local authority and other loans are secured by fixed charges on individual properties.

The Group's debt portfolio at 31 March 2021 consisted of £205m (2020: £205m) of revolving credit facilities, £100m (2020: £135m) of term debt held at variable interest rates and £676m (2020: £619m) of term loans held at fixed interest rates.

Undrawn facilities at 31 March 2021 consist of £182m (2020: £167m) revolving credit facilities.

The Group's borrowing facilities have variable interest rates ranging between 0.6% and 2.7% and fixed interest rates ranging from 1.8% to 6.7%.

The final instalments fall to be repaid in 2046.

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
Due within one year				
Loans repayable by instalments	13,274	53,915	13,274	43,915
Loans repayable other than by instalments	50,000	-	50,000	-
Fair value adjustment on bank loans	1,050	3,087	2,544	1,197
Less: debt issue costs	(380)	(307)	(380)	(285)
	63,944	56,695	65,438	44,827
Due after more than one year				
Loans repayment by instalments	642,347	629,225	642,347	574,225
Loans repayment other than by instalments	92,885	108,365	92,885	108,365
Fair value adjustment on bank loans	12,218	13,212	16,449	-
Less: debt issues costs	(1,176)	(1,306)	(1,176)	(1,113)
	746,274	749,496	750,505	681,477

Based on the lender's earliest repayment date, borrowings are repayable as follows:	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
Within one year or on demand	63,274	53,915	63,274	43,915
One year or more but less than two years	18,117	8,273	18,117	8,273
Two years or more but less than five years	73,864	63,509	73,864	53,509
Five years or more	643,251	665,808	643,251	620,808
	798,506	791,505	798,506	726,505

The Group uses a finance leasing model for some classes. The obligations under finance leases is presented below:

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
Net finance lease obligations:				
Not later than 1 year	1,850	1,836	1,849	1,808
Later than 1 year and not later than 5 years	8,339	7,799	8,339	7,799
Later than five years	7,095	8,317	7,095	8,317
	17,284	17,952	17,283	17,924

The obligations under finance leases are repayable by equal instalments.

Finance leases relate to vehicles used by the Group to deliver its services and the Group's investment property student accommodation portfolio.

Vehicle leases typically have a four-year term with a purchase option available at the end of the lease. The two investment property leases have 35-year lease terms and one of the leases has provision for discounted purchase at the end of the term.

25. Interest and financing costs

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
On loans wholly or partly repayable in more than 5 years	25,538	24,592	24,180	22,969
Amortisation of debt issue costs	359	139	342	117
Interest accrued on RCGF balance	-	12	-	12
Finance leases	89	82	88	78
Net interest cost on defined benefit deficit	270	401	270	401
Unwinding of discounts on provisions	648	648	648	648
	26,904	25,874	25,528	24,225
Less: Interest capitalised	(1,371)	(1,497)	(1,371)	(1,417)
	25,533	24,377	24,157	22,808

The weighted average interest on borrowings of 2.0% (2020: 2.1%) was used for calculating capitalised interest.

Notes to the financial statements

for the year ended 31 March 2021

26. Interest receivable

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
Bank interest receivable	54	453	54	406
Interest from joint venue non-current loan receivables	298	194	-	-
Gift aid receipts	-	-	1,603	2,634
	352	647	1,657	3,040

27. Deferred capital grant

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
As at 1 April	193,904	192,174	192,041	190,644
Grant received in the year	7,044	2,313	6,768	1,980
Grant Recycled in the year	659	1,912	659	1,912
Released to income in the year	(2,325)	(2,313)	(2,374)	(2,313)
Grant released on disposals	(388)	(182)	(388)	(182)
As at 31 March	198,894	193,904	196,706	192,041
Amount due to be in less than one year	2,330	2,322	2,325	2,320
Amount due to be released after more than one year	196,564	191,582	194,381	189,721
	198,894	193,904	196,706	192,041

28. Recycled capital grant

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
As at 1 April	1,761	2,003	1,761	2,003
Acquired from Suffolk Housing Society	-	1,461	-	1,461
Grant to be recycled on disposals	51	197	51	197
Interest accrued on recycled grant	-	12	-	12
Grant recycled in the year on new properties	(659)	(1,912)	(659)	(1,912)
As at 31 March	1,153	1,761	1,153	1,761

Recycled capital grant accrues notional interest in accordance with Homes England Capital Funding policy. Where the recycled capital grant fund balance is in excess of £250,000 a registered provider must accrue interest linked to the Bank of England's base lending rate as follows: 'base lending rate minus 25 basis points for balances over £1m with a floor of 0% on notional interest calculations. At 31 March 2021 the Group charged 0% (2020: 0.5%) interest on its recycled capital grant balance.

29. Disposal proceeds fund

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
As at 1 April	-	62	-	62
Grant recycled in the year on new properties	-	(62)	-	(62)
As at 31 March	-	-	-	-

30. Capital and other commitments

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
Capital expenditure contracted for but not provided in the financial statements	256,107	201,011	83,681	115,633
	256,107	201,011	83,681	115,633

The Group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
Not later than one year	916	947	420	253
Later than one year and not later than five years	1,698	2,054	1,072	780
Later than five years	1,422	1,554	1,359	1,554
	4,036	4,555	2,851	2,587

The Group had no other off balance sheet arrangements.

Notes to the financial statements

for the year ended 31 March 2021

31. Defined benefit pension liability

During the financial year the Group has participated in three defined benefit schemes: the Norfolk County Council Pension Fund ('LGPSN'), Suffolk County Council Pension Fund ('LGPSS) and the Social Housing Pension Scheme (which is managed by The Pensions Trust) ('SHPS'). The Group also participates in various defined contribution schemes and the amount recognised in the statement of comprehensive income is as follows:

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
Defined benefit schemes				
- Current service costs	371	424	371	424
- Past service costs	-	129	-	129
Defined contribution schemes	3,185	2,664	1,955	1,507
Total charge in operating profit	**3,556**	3,217	**2,326**	2,060
Defined benefit schemes				
- Net interest expense	270	401	270	401
Total charge to profit and loss	**3,826**	3,618	**2,596**	2,461

i. Local government defined benefit pension schemes – LGPSN and LGPSS

A small number of employees of the company are members of the LGPSN and LGPSS schemes. The assets of the schemes are held in separately administered funds. The schemes provide retirement benefits on the basis of members' final salary. The plan is administered by an independent trustee, who is responsible for ensuring that the plan is sufficiently funded to meet current and future obligations. The Group considers the funding position of both schemes to be robust and does not expect a significant increase in contributions at the next funding valuation. Additional contributions are agreed with the trustee to reduce any funding deficit where necessary.

A comprehensive actuarial valuation of the LGPSN and LGPSS schemes, using the projected unit credit method, was carried out at 31 March 2019 by Hymans Robertson LLP, independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	2021	2020
Expected rate of increase of pensions in payment	2.85%	2.00%
Expected rate of salary increases	3.55%	2.70%
Discount rate	1.95%	2.30%

i. Local government defined benefit pension schemes – LGPSN and LGPSS (continued)

	LGPSN 2021	LGPSN 2020	LGPSS 2021	LGPSS 2020
The mortality assumptions used were as follows:				
Longevity at age 65 for current pensioners				
- Men (years)	21.9	21.7	22.1	21.9
- Women (years)	24.3	23.9	24.5	24.1
Longevity at age 65 for future pensioners				
- Men (years)	23.2	22.8	23.2	22.7
- Women (years)	26.2	25.5	26.4	25.6

	Assets	Liabilities	Total
	£'000	£'000	£'000
Reconciliation of scheme assets and liabilities:			
At 1 April 2020	18,250	(23,129)	(4,879)
Benefits paid	(774)	774	-
Participant contributions	20	(20)	-
Employer contributions	780	-	780
Current service cost	-	(103)	(103)
Interest income / (expense)	419	(524)	(105)
Re-measurement gains/(losses)			
- Actuarial (losses) / gains	-	(4,270)	(4,270)
- Return on plan assets excluding interest income	3,699	-	3,699
At 31 March 2021	**22,394**	**(27,272)**	**(4,878)**

	2021	2020
	£'000	£'000
Total cost recognised as an expense:		
Current service cost	103	128
Past service cost	-	129
Interest cost	524	615
	627	872

Notes to the financial statements

for the year ended 31 March 2021

31. Defined benefit pension liability (continued)

i. Local government defined benefit pension schemes – LGPSN and LGPSS (continued)

No amounts (2020: £nil) were included in the cost of assets.

The fair value of the plan assets was:

	2021	2020
	£'000	£'000
Equities	12,265	9,237
Bonds	7,276	6,284
Property	2,294	2,364
Cash	559	365
	22,394	18,250

The plan assets do not include any of the Group financial instruments nor is any property occupied by any Group entity.

The return on the plan assets was:

	2021	2020
	£'000	£'000
Interest income	419	458
Return on plan assets less interest income	3,699	(1,294)
Total return on plan assets	4,118	(836)

The sensitives regarding the principal assumptions used to measure the scheme liabilities are set out below:

	Approximate % increase to Defined Benefit Obligation		Approximate monetary amount (£'000)	
	LGPSN	LGPSS	LGPSN	LGPSS
Changes in assumptions at 31 March 2021				
0.5% decrease in Real Discount Rate	8%	8%	1,626	462
0.5% increase in the Salary Increase Rate	0%	0%	44	26
0.5% increase in the Pension Increase Rate (CPI)	7%	7%	1,556	428

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

ii. Social Housing Pension Scheme - SHPS

The company also has a number of employees who are members of the SHPS scheme. The assets of the schemes are held in separately administered funds. The scheme provides retirement benefits on the basis of members' final salary. The plan is administered by an independent trustee, The Pensions Trust, who is responsible for ensuring that the plan is sufficiently funded to meet current and future obligations.

The scheme is classified as a 'last-man standing arrangement' and therefore the Group 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. The Group considers the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly. Additional contributions are agreed with the trustee to reduce the funding deficit where necessary.

A comprehensive actuarial valuation of the SHPS scheme, using the projected unit credit method, was carried out at 30 September 2017, by independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	2021	2020
Expected rate of increase of pensions in payment (CPI)	2.85%	1.60%
Expected rate of salary increases	3.55%	2.70%
Discount rate	1.95%	2.30%
Rate of inflation (RPI)	3.26%	2.60%

The mortality assumptions used were as follows:

	2021 Years	2020 Years
Longevity at age 65 for current pensioners		
- Men	21.9	22.8
- Women	23.8	24.7
Longevity at age 65 for future pensioners		
- Men	23.2	24.3
- Women	25.4	26.0

Notes to the financial statements

for the year ended 31 March 2021

31. Defined benefit pension liability (continued)

ii. Social Housing Pension Scheme - SHPS (continued)

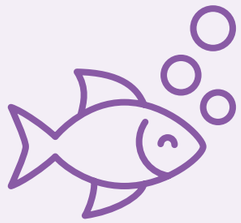
Reconciliation of scheme assets and liabilities:

	Assets	Liabilities	Total
	£'000	£'000	£'000
At 1 April 2020	37,846	(45,585)	(7,739)
Benefits paid	(1,095)	1,095	-
Member contributions	39	(39)	-
Employer contributions	1,448	-	1,448
Current service cost	-	(268)	(268)
Interest income / (expense)	874	(1,039)	(165)
Re-measurement gains/(losses)			
- Actuarial gains/(losses)	-	(11,447)	(11,447)
- Return on plan assets excluding interest income	3,830	-	3,830
At 31 March 2021	**42,942**	**(57,283)**	**(14,341)**

Total cost recognised as an expense:

	2021	2020
	£'000	£'000
Current service cost	268	296
Interest cost	1,039	971
	1,307	1,267

No amounts (2020: £nil) were included in the cost of assets.



ii. Social Housing Pension Scheme - SHPS (continued)

The fair value of the plan assets was:

	2021	2020
	£'000	£'000
Global equity	6,844	5,535
Absolute return	2,370	1,973
Distressed opportunities	1,240	729
Credit relative value	1,351	1,038
Alternative risk premia	1,617	2,646
Fund of hedge funds	5	22
Emerging markets debt	1,734	1,146
Risk sharing	1,563	1,278
Insurance-linked securities	1,031	1,162
Property	892	834
Infrastructure	2,863	2,817
Private debt	1,024	763
Opportunistic illiquid credit	1,092	916
High yield	1,286	-
Opportunistic credit	1,177	-
Corporate bond fund	2,537	2,158
Liquid credit	513	15
Long lease property	842	655
Secured income	1,786	1,436
Liability driven investment	10,914	12,561
Net current assets	261	162
	42,942	37,846

The plan assets do not include any of the Group financial instruments nor is any property occupied by any Group entity.

The return on the plan assets was:

	2021	2020
	£'000	£'000
Interest income	874	727
Return on plan assets less interest income	3,830	(141)
Total return on plan assets	4,704	586

Notes to the financial statements

for the year ended 31 March 2021

31. Defined benefit pension liability (continued)

ii. Social Housing Pension Scheme - SHPS (continued)

The sensitives regarding the principal assumptions used to measure the scheme liabilities are set out below:

	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£'000)
Changes in assumptions at 31 March 2021		
0.05% decrease in Real Discount Rate	4%	611
0.5% increase in the Salary Increase Rate	2%	229
0.3% increase in the Pension Increase Rate (CPI)	14%	1,936

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 15%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

32. Notes to the cash flow statement

	Note	Group 2021 £'000	Group 2020 £'000
Surplus for the financial year		**46,129**	62,271
Adjustments for:			
Tax on profit	13	**(33)**	21
Gift of acquisition of subsidiary	35	**-**	(15,339)
(Increase) / decrease in investment property revaluation	15	**(1,824)**	974
Net interest expense	25 / 26	**25,181**	23,730
Operating surplus		**69,453**	71,657
Depreciation of tangible fixed assets and amortisation of intangible assets and capital grant (including accelerated depreciation on component replacement)		**29,328**	27,500
(Gain) / loss on investment in joint ventures	20	**(480)**	244
(Gain) / loss on disposal of housing properties	8	**(9,369)**	(8,442)
(Gain) / loss on disposal of other fixed assets		**16**	(139)
Defined benefit pension schemes - service cost	31	**371**	553
Defined benefit pension schemes - contributions paid	31	**(2,228)**	(2,014)
Working capital movements:			
- Increase in inventories		**(22,252)**	(18,728)
- (Increase) / decrease in debtors		**4,265**	(1,857)
- (Decrease) / increase in creditors		**6,968**	(581)
Cash flow from operating activities		**76,072**	68,193

Analysis of changes in net debt

	At 1 April 2020 £'000	Cash flows £'000	Non-cash changes £'000	At 31 March 2021 £'000
Cash at bank and in hand	31,755	(20,347)	-	**11,408**
Bank loans and borrowings	(806,191)	(6,773)	2,746	**(810,218)**
Finance leases	(17,952)	1,623	(955)	**(17,284)**
Total	(792,388)	(25,497)	1,791	**(816,094)**

Non-cash transactions

The Group has acquired tangible assets under finance leases. £955,000 (2020: £1,785,000) has been capitalised as the cost of the asset, being the present value of the minimum lease payments.

The Group unwound £2,746,000 of discount on fair value of loans and amortisation of debt issue costs during the year (2020: £2,793,000).

Notes to the financial statements

for the year ended 31 March 2021

33. Financial instruments

Group

The Group has the following financial instruments:

	Note	31 March 2021 £'000	31 March 2020 £'000
Financial assets at fair value through profit or loss		-	-
Financial assets that are debt instruments measured at amortised cost			
- Trade receivables and rental arrears	21	8,853	7,024
- Other receivables	21	509	434
- Loan receivable from joint venture undertakings	20	13,119	7,210
- Cash and cash equivalents		11,408	31,755
		33,889	46,423
Financial liabilities measured at fair value through profit or loss		-	-
Financial liabilities measured at amortised cost			
- Bank loans and borrowings	24	810,218	806,191
- Finance leases	22 / 23	17,284	17,952
- Trade creditors	22	8,046	7,894
- Accruals and deferred income	22 / 23	29,091	23,958
- Other creditors	22	5,220	3,672
		869,859	860,151

34. Contingent liabilities

The company receives capital grant from Homes England, which is used to fund the acquisition and development of housing properties and their components. Capital grant is amortised to the statement of comprehensive income over 100 years. In certain circumstances upon disposal of grant funded properties the company is required to recycle this grant by crediting it to the Recycled Capital Grant Fund.

As the timing of future property disposals is uncertain, no provision has been recognised in these financial statements for the portion of recyclable grant amortised through the statement of comprehensive income. The company had no other contingent liabilities at 31 March 2021 (2020: £nil).

35. Gift on transfer of engagement

On 1 January 2021 Victory Housing Trust transferred its trade, assets and liabilities (as provided for in section 110 of the Co-operative and Community Benefit Societies Act 2013) to Flagship Housing Group Limited. This was in effect a gift from Victory Housing Trust to Flagship Housing Group Limited, with no consideration paid.

At the date of transfer, the company valued the assets and liabilities acquired at their fair value. The excess of the fair value of assets received over the fair value of liabilities assumed has been recognised in the company's Statement of comprehensive income. The fair value of Victory Housing Trust's assets and liabilities was:

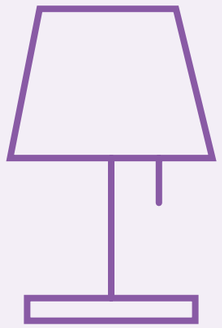
	Book value £'000	Adjustments £'000	Fair value £'000
Housing property (a)	185,510	29,628	215,138
Other tangible assets	1,040	-	1,040
Intangible assets	23	-	23
Inventories and work in progress (b)	1,010	(60)	950
Trade and other receivables	1,040	-	1,040
Cash and cash equivalents	11,523	-	11,523
Trade and other payables	(6,588)	-	(6,588)
Borrowings (c)	(70,545)	(13,998)	(84,543)
Deferred capital grant (d)	(20,565)	20,565	-
Total identifiable net assets	102,448	36,135	138,583

(a) Housing properties were revalued to their EUV-SH value at 1 January 2021 and the adjustment reflects this valuation. The valuation assumes that social housing grant is included in cost. The valuation was performed by Savills (UK) Limited (part of the Savills Group), independent qualified external valuers. The valuation was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards.

(b) The adjustment reflects the recoverable amount of work in progress held at 1 January 2021.

(c) The adjustment to borrowings reflects the mark to market revaluation at 1 January 2021.

(d) Deferred capital grant is derecognised on acquisition because the EUV-SH value of properties makes adjustment for social housing funding in the property valuation.



Notes to the financial statements

for the year ended 31 March 2021

36. Related party disclosures

The Accounting Direction 2019 Part 2 35 requires the company to disclose the nature of its trading relationships with related parties in the same trading Group.

- The company provides central services to all its subsidiary undertakings, and its subsidiary undertakings contribute toward the cost of this provision by way of a management charge.
- Repairs and maintenance and improvement works to the company's properties were undertaken by RFT Repairs Limited, Gasway Services Limited and Blue Flame (Colchester) Limited, 100% owned subsidiaries of the company during the year.
- New social housing property was developed for the company by Flagship Housing Developments Limited, a 100% owned subsidiary.
- The company provides an annual grant to Hopestead to support Hopestead's work to eliminate homelessness in the East of England.

	Year ended 31 March 2021	Year ended 31 March 2020
	£'000	£'000
Purchases from Flagship Housing Developments Limited	**15,053**	13,743
Purchases from RFT Repairs Limited	**41,290**	49,789
Services provided to Victory Housing Trust	**3,609**	5,489
Services provided to Flagship Housing Developments Limited	**1,049**	1,162
Services provided to RFT Repairs Limited	**1,521**	1,521
Services provided to Gasway Services Limited	**110**	109
Grant made to Hopestead	**400**	-

As at 31 March 2021 Flagship Housing Group Limited had the following intercompany balances with its subsidiary undertakings:

	Year ended 31 March 2021	Year ended 31 March 2020
	£'000	£'000
Amounts due to Flagship Housing Developments Limited	**(19)**	(483)
Amounts due to RFT Repairs Limited	**(1,605)**	(287)
Amounts due from Gasway Services Limited	**1,183**	1,563
Amounts due from Victory Housing Trust	**-**	280
Amounts due from Linnet Homes Limited	**-**	315
Amounts due from Blue Flame (Colchester) Limited)	**556**	-
	115	1,388

Amounts owed to Group undertakings are unsecured, interest free, and have no fixed date of repayment and are repayable on demand. There are no other related party transactions that require disclosure in these financial statements.

37. Ultimate parent undertaking and controlling party

The company is the ultimate parent undertaking of the Group and the smallest and largest group to consolidate these financial statements is Flagship Housing Group Limited. The company is a charitable company and accordingly there is no ultimate controlling party. Copies of the Flagship Housing Group Limited consolidated financial statements can be obtained from 31 King Street, Norwich, Norfolk, NR1 1PD.

38. Events after the reporting period

On the 10 June 2021 Flagship Housing Group Limited incorporated a new subsidiary, Flagship Finance PLC, with company number 13448782.

Flagship Finance PLC is a financing vehicle for the Flagship Group and its primary activity is to raise private finance for the Group. On 7 July 2021, Flagship Finance PLC issued a 40-year listed bond for £250m (with £100m retained) at an all-in rate of 1.97%. The proceeds of the bond are subsequently on-lent to Flagship Housing Group Limited upon receipt.

The bond is secured by specific charges over Flagship Housing Group Limited properties with Prudential Trustee Company Limited acting as Security Trustee.

Flagship Group

flagship-group.co.uk

31 King Street, Norwich, Norfolk NR1 1PD
Regulator of Social Housing Registered No. 4651
Co-operative and Community Benefit Societies Act 2014 Registered No. 31211R