Regulator of Social Housing

2019 Global Accounts of private registered providers

December 2019

Contents

Executive summary

The Global Accounts 2019 demonstrate the social housing sector's strong balance sheet and continuing investment in new and existing homes. The sector generated a healthy surplus with which to underpin this investment, although the surplus was lower than 2018.

In the year to March 2019, investment in new supply and existing stock was higher than the previous year. The sector invested £12.1bn in new supply across a range of tenures – a 12% increase. In addition to this, total spending on repairs and maintenance of social housing stock was £5.5bn, up from £5.2bn in 2018. The investment was funded by debt, operating surpluses and grant funding. Debt increased by 6% to £76.9bn. This debt was backed by property-related assets of £164bn.

The sector indicated its future commitment to growth, raising a record £13.5bn of new facilities from banks and capital markets. In total, the sector had access to £27bn of undrawn debt facilities and cash at March 2019. The sector had future capital commitments of £33.0bn (a 15% increase on 2018) of which £14.3bn had been contracted.

Financial performance was strong with a surplus for the year of £3.5bn. This represented a £0.2bn reduction in surplus compared to 2018. The reason for this reduction in surplus was a decrease in profitability in both rental and sales activities.

The period to March 2019 was the third year of 1% rent reductions on general needs social housing properties and the second year of rent reductions on most supported housing properties. As a consequence, there was no significant increase in income generated from social housing lettings. Cost increases, predominantly maintenance expenditures, meant that there was a reduction in operating surplus on this core activity.

There was an increase in income from sales of new build properties in 2019. First tranche shared ownership income increased by 14% to £1.4bn, and receipts from properties developed for open market sale increased 7% to £1.5bn. However, the profitability of these sales reduced such that surpluses from shared ownership were unchanged at £0.4bn and profit from open market sales fell 29% to £0.2bn.

The reductions in operating margins across both rental and sales activities caused a 12% reduction in interest cover to 153%. Interest cover remains comfortable and strong performance is widespread. Of the 217 provider groups included in the Global Accounts, 187 have interest cover on a social housing lettings basis of greater than 100%.

March 2019 was the first year in which the Social Housing Pension Scheme (SHPS) pension liability has been identified and shown separately in individual registered providers' accounts. The initial measurement of this liability, as well as an overall actuarial loss in respect of all pension schemes, do not form part of the calculation of the surplus for the period but are disclosed in accounts as other comprehensive income. These charges were £0.8bn in total and they substantially explain the difference between the surplus for the year of £3.5bn and total comprehensive income of £2.7bn.

Part 1 - Introduction

1.1 The 2019 Global Accounts of registered providers (Global Accounts) provides a financial overview of the social housing sector based on an analysis of the regulatory returns of private registered providers. Within this publication, private registered providers of social housing (primarily housing associations) are referred to as 'providers'.

1.2 The social housing sector is diverse in both the size of providers that operate within it and the range of activities each undertakes. In total, there are around 1,400 active providers, of which the majority have fewer than 1,000 homes. This publication is concerned with the financial analysis of large providers which own or manage at least 1,000 social homes, together representing more than 95% of the sector's stock.

1.3 The provision of homes for rent is the main activity for most providers. Many also provide homes for ownership, thereby generating income from the sale of homes. This activity exposes providers to a different risk profile to that for traditional renting and has changed the financial profile of several providers.

1.4 Most large providers are part of a group structure; these can include multiple registered providers and non-registered entities. The development of properties for outright sale and other non-social housing activity is often delivered by non-registered entities or joint ventures within group structures. The materiality of non-social housing activity delivered in this way has increased in recent years. This leads to differences between the accounts prepared by registered entities (entity level) and those prepared on a consolidated group basis (consolidated level). This publication presents results both at consolidated and entity level.

1.5 Further differences exist between providers in the degree to which they provide specialist housing. Whilst most providers have some supported housing or housing for older people, there are a small but significant number of primarily specialist providers. These providers face additional challenges in securing care and support contracts from local authorities and other public bodies. A sub-set of supported housing providers operate a lease-based business model. These providers comprise a small part of the sector. The total value of social housing operating leases within these providers is around £0.5bn.

1.6 The year ending March 2019 was the third year of 1% rent reductions on general needs social housing properties. It was the second year of rent reductions on most supported housing properties. Rent reductions will continue on this basis for another year after which, from the year ending March 2021 social housing rent increases will be limited to the Consumer Price Index (CPI) plus 1% for five years.

1.7 Part A of the Global Accounts presents a financial review of 2018/19. Part B comprises the aggregate financial statements. Part C contains notes to the primary statements showing further detail of key entries and balances.

Part 2 – Financial Review

Operating environment

2.1 The economic operating environment in relation to the core lettings business was stable in the year. However, housing markets in some regions presented a more challenging environment in respect of housing sales than in recent years.

2.2 The CPI rose by 1.9% in the year to March 2019[1]. Inflation peaked earlier in the year at 2.7% in August[2]. Average weekly wages increased by 3.1%[3] in the 12 month period covered by the Global Accounts.

2.3 The period covered the third of four years of 1% rent reductions on general needs units. Providers were also required to reduce rents on most supported housing properties for the second year. Over the remaining year of the rent reductions, it will be essential for providers to keep control over the impact of inflation on their costs to mitigate a further erosion of margins.

2.4 In 2019 more than one third of the net surplus reported was attributable to sales. Around half of this related to shared ownership properties, both from selling the initial tranche of new properties and from selling subsequent tranches of older properties ('staircasing'). Profits from properties developed for sale on the open market account for just 13% of the total surplus from sales, with the remainder being sales of properties previously held for rent including properties sold under Right to Buy and Right to Acquire (RTB/RTA) legislation as well as discretionary sales.

2.5 The development of properties for outright sale is concentrated in a small number of providers. Just over 80% of turnover from properties developed for outright sale is reported by just 20 provider groups. Exposure to the housing market is a key risk for these providers to manage.

2.6 Over the period covered by the Global Accounts, average house prices in England increased by 1.1%[4]. The number of residential transactions in the year decreased by 2.0% compared to 2018[5]. The national averages suggest the housing market is weakening and particularly in London and the South East. In London average house prices fell by 1.9% and in the South East the decrease was 0.4% over the year. Yorkshire and the Humber was the fastest growing region with annual growth of 3.6%. Across the UK, average construction costs on new properties increased by 3.2%[6] over the same period.

2.7 Providers are primarily debt funded and fix interest rates (for more than one year) on more than 75% of all borrowings.

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[1] ONS Statistical Bulletin; UK consumer price inflation – March 2019
[2] HM Treasury; Forecasts for the UK economy: a comparison of independent forecasts, October 2019
[3] UK labour market - Office for National Statistics – May 2019
[4] UK House Price Index – March 2019, HM Land Registry
[5] Monthly-property-transactions-completed-in-the-uk-with-value-40000-or-above, Office for National Statistics
[6] Construction output price indices (OPIs) - Office for National Statistics

2.8 During the period covered by the Global Accounts, the Bank of England base rate increased from 0.5% to 0.75% (August 2018), where it has stayed since. The three-month London Interbank Offered Rate (LIBOR) also increased over the year, from 0.71% to 0.85%.

2.9 Interest rates remain well below the long-term average. An increase in LIBOR of 2% could theoretically increase interest costs by approximately £400m per year. It is essential that providers effectively manage interest rate risk as rates could increase in the future.

2.10 The sector was successful in accessing record levels of finance in the year, agreeing £13.5bn of new facilities. Within this, capital market funding rose from £4.9bn in 2018 to £6.7bn in 2019. The new facilities support future investment and refinancing activity.

2.11 During the year there were five mergers (2018: eight, 2017: six). In the financial statements of the acquiring provider a gain is recognised to reflect the net assets of the provider that was acquired. This contributed a gain of £0.2bn to the sector surplus (2018: £0.02bn, 2017: £0.5bn).

Financial highlights

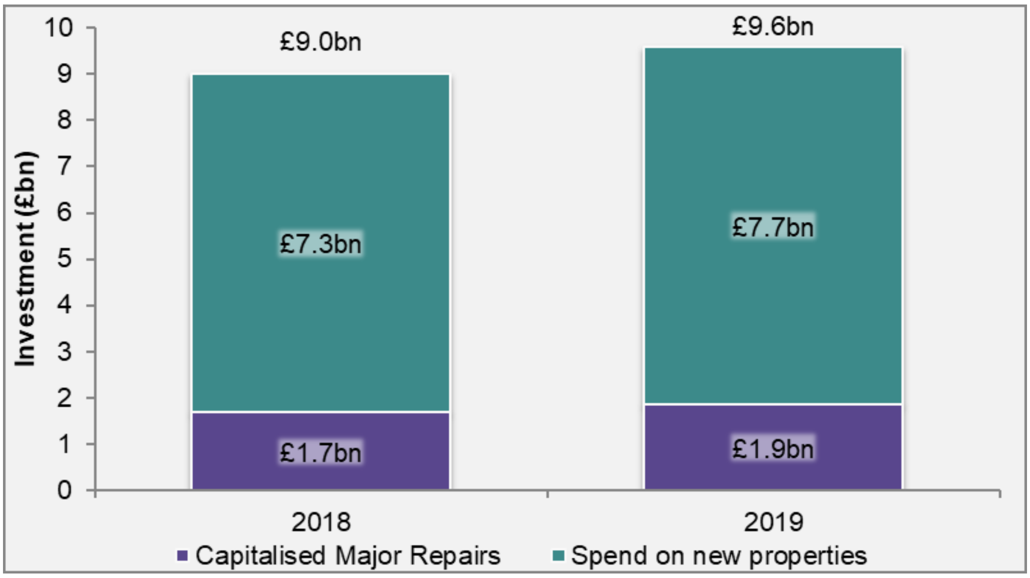
2.12 The section below references consolidated returns unless otherwise stated.

Growth in asset base

2.13 Total investment in new or existing properties, including social housing properties, properties developed for sale and investment properties, was £14.0bn in 2019. This is an increase of 12% on spend of £12.5bn in 2018.

2.14 Total investment in new or existing social housing properties for rent was £9.6bn (2018: £9.0bn). Of this, capital investment in major repairs to existing properties was £1.9bn, an increase on 2018 (£1.7bn). Investment attributable to the development of new homes increased from £7.3bn in 2018 to £7.7bn in 2019.

Figure 1: Investment in social housing properties (consolidated)



2.15 In aggregate, 45,000 social housing properties for rent were completed in the year – an increase on the 42,000 units developed in 2018. The value of properties not yet completed (under construction) increased by £1bn to £8.6bn in 2019. In the course of the year around 16,000 social housing homes were sold or demolished. The total number of homes either owned or managed by providers increased by 1% to 2,733,000.

2.16 The £9.6bn spend identified above relates only to investment on social housing properties held for rent. This figure does not include the investment on properties developed for sale and for market rent set out below.

- In 2019, investment in properties developed for outright sale and the expected first tranche element of shared ownership properties was £3.9bn (2018: £2.8bn). This 40% growth in investment in for-sale tenures was significantly higher than the increase in investment for rental tenures.

- Properties held for market rent and other properties held for a non-social housing purpose are categorised as investment properties. Investment in the development of such new properties was £0.5bn.

2.17 The total value of housing assets held by the sector increased by £7.9bn to £164.1bn. This includes £150.8bn of social housing properties held for rent, £6.2bn of investment properties (predominantly market rent) and £7.1bn of properties held for sale (mainly land and properties under construction).

Funding

2.18 The investment in new supply and existing properties was primarily funded through debt, operating surpluses and capital grant.

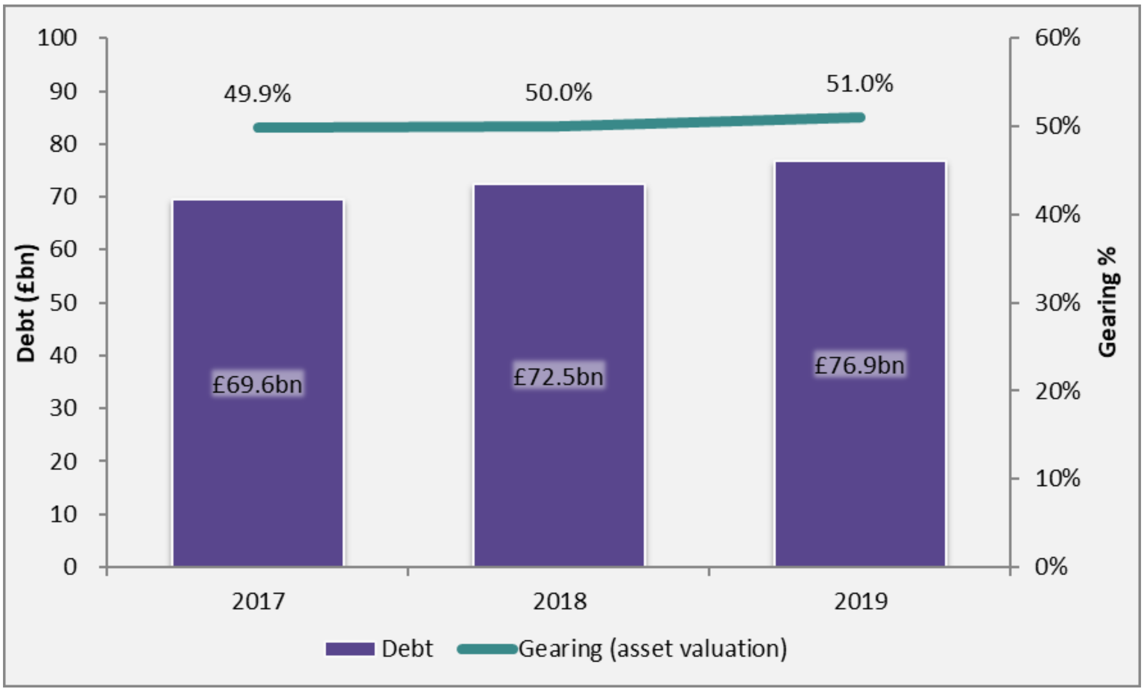
2.19 Debt held by the sector increased by £4.4bn (6%) to £76.9bn. This was higher than the increase reported in 2018 of £3.0bn.

Table 1: Key funding metrics

	Consolidated		**Entity**	
	2019	**2018**	**2019**	**2018**
Gearing (debt as % of social housing assets)	51%	50%	51%	51%
Debt to Turnover	3.8	3.6	4.1	4.0
Debt per unit (£ per social housing unit)	28,138	26,738	27,703	26,383

2.20 In aggregate, indebtedness indicators are slightly higher than 2018. The increase in debt of 6% is slightly higher than the increase in the net book value of housing properties of 5%, resulting in the 1% increase in gearing in the year.

Figure 2: Gearing and debt (consolidated)



2.21 The majority of existing debt is in the form of bank loans (61% of all facilities as at 31st March 2019[7]). Including refinancing, the year to March 2019 was a record year for the arrangement of new debt facilities. In total, the sector agreed new facilities of £13.5bn (2018: £10.1bn, 2017: £7.6bn).

2.22 Funds raised from the capital markets increased significantly. In total 42 bond issues or private placements took place in the year (2018: 48, 2017: 26), raising a combined £6.7bn (2018: £4.9bn, 2017: £2.6bn).

2.23 Providers also agreed new bank lending of £6.5bn in the year. In aggregate, the sector has sufficient access to finance to support planned growth and investment. In total, the sector had access to £20.8bn of undrawn facilities in place as at March 2019. In total, providers reported £14.3bn of future capital spending as contracted but not accounted for in financial statements.

[7] Quarterly Survey of private registered providers Q4 2018-19

Financial performance

Table 2: Summary of income statement

£billion	Consolidated 2019	Consolidated 2018	Entity 2019	Entity 2018
Turnover	20.9	20.5	18.7	18.4
Total operating costs	(15.6)	(14.8)	(13.8)	(13.1)
Operating surplus (excluding fixed asset sales)	**5.2**	**5.6**	**4.9**	**5.3**
Net interest payable	(3.1)	(3.1)	(3.0)	(3.0)
Surplus on sale of fixed assets	0.9	0.9	0.9	1.0
Other items	0.5	0.2	0.6	0.4
Surplus for the year	**3.5**	**3.7**	**3.5**	**3.8**

Turnover has increased by 2%

2.24 Turnover increased by £0.4bn to £20.9bn. The year ending 2019 was the third year of the four-year 1% per annum rent reduction period. The main drivers for the increase in turnover are as follows:

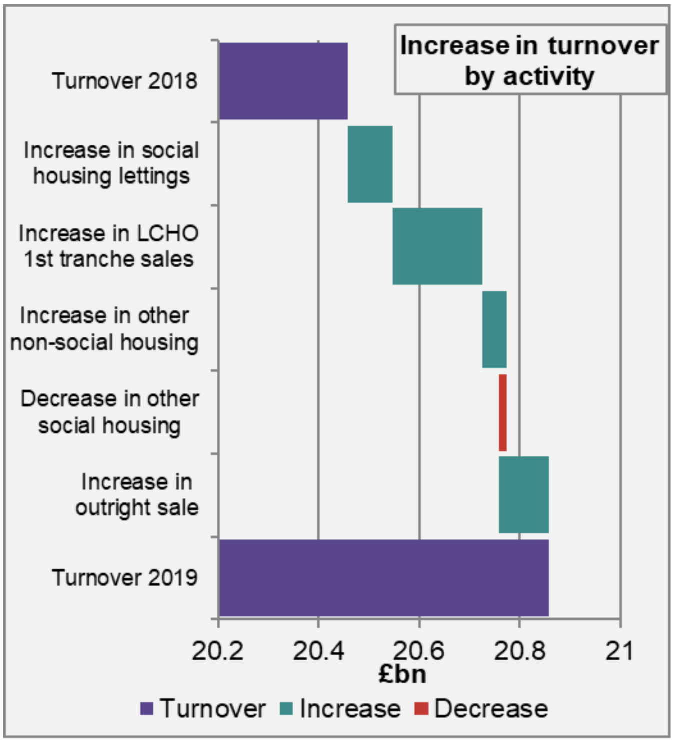
- Social housing lettings (SHL) turnover increased by £0.1bn (1%) to 15.5bn (small increases in rents, service charges and amortised grant).

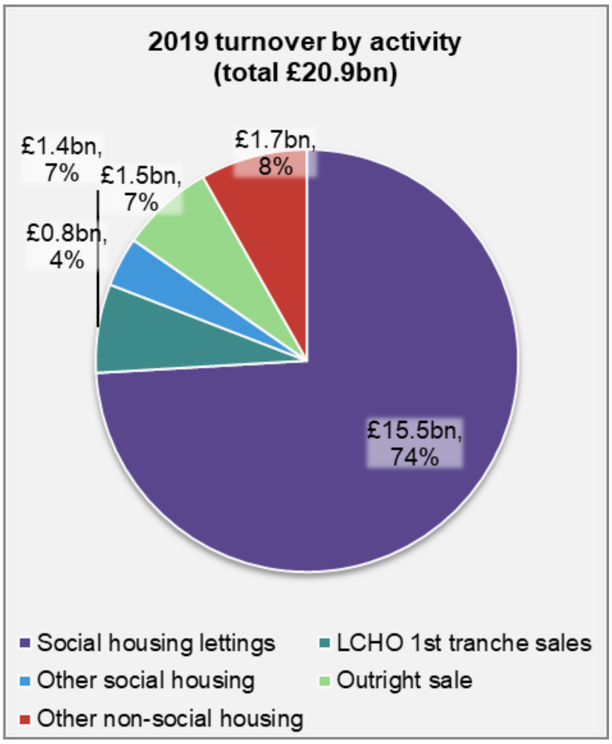
- Shared ownership first tranche sales income increased by £0.2bn (14%) to £1.4bn

- Turnover from market sales increased by £0.1bn (7%) to £1.5bn.

2.25 Figure 3 (overleaf left) illustrates the main drivers for the growth between 2018 and 2019. Around 40% of the increase in turnover in the year is attributable to two large providers and arises primarily from properties built for sale.

Figure 3: Turnover split and growth (consolidated)





2.26 In aggregate 74% of turnover is generated from social housing lettings (2018: 75%, 2017: 76%), the core activity of the sector. The vast majority of providers engage in non-social housing lettings activities to some extent. The degree of diversification varies across the sector by activity type.

2.27 14% of sector turnover relates to development for sale (including both outright sales and Low Cost Home Ownership (LCHO) 1st tranche sales). Outright sale activity is heavily concentrated with 20 providers reporting 83% of sales income. LCHO activity is less concentrated with 55% of first tranche receipts within 20 providers.

2.28 8% of turnover is from other non-social activity. Of the total £1.7bn, £0.7bn is reported by three large providers. Other non-social activities include market rent, leisure facilities, property services, student accommodation, land sales and other commercial income. Each of these activities is concentrated in a relatively small number of providers.

2.29 4% of turnover is from other (non-letting) social housing activities. Around half of this relates to charges for support services.

Operating margins have decreased across all the main activities of the sector

Table 3: Operating margins by activity

%	Consolidated 2019	Consolidated 2018	Entity 2019	Entity 2018
Operating margin	25%	28%	26%	29%
Social housing lettings	30%	33%	30%	32%
1st tranche sales	25%	29%	25%	28%
Outright sale	13%	19%	13%	14%

2.30 The overall operating margin has decreased from 28% to 25% as operating costs increased by 6% whereas turnover increased by 2%.

2.31 Social housing lettings operating margins have continued downward for a second year in 2019 from 33% to 30%. This is mainly due to an increase in routine and planned maintenance costs whilst aggregate rental income only increased by 0.2% in the same period.

2.32 LCHO income increased by £0.2bn, however the associated costs increased by a similar amount, keeping the surplus achieved broadly unchanged at £0.4bn. Turnover from market sales increased by £0.1bn, but a £0.2bn increase in costs significantly reduced the margin achieved.

2.33 Including both outright sales and LCHO first tranche sales, turnover from 'development for sale' increased by 11% to £2.9bn (2018: £2.6bn). The corresponding cost of sales increased by 18% to £2.4bn resulting in a fall in sales margins from 24% to 19%.

Exposure to the housing market remains a key risk for some providers

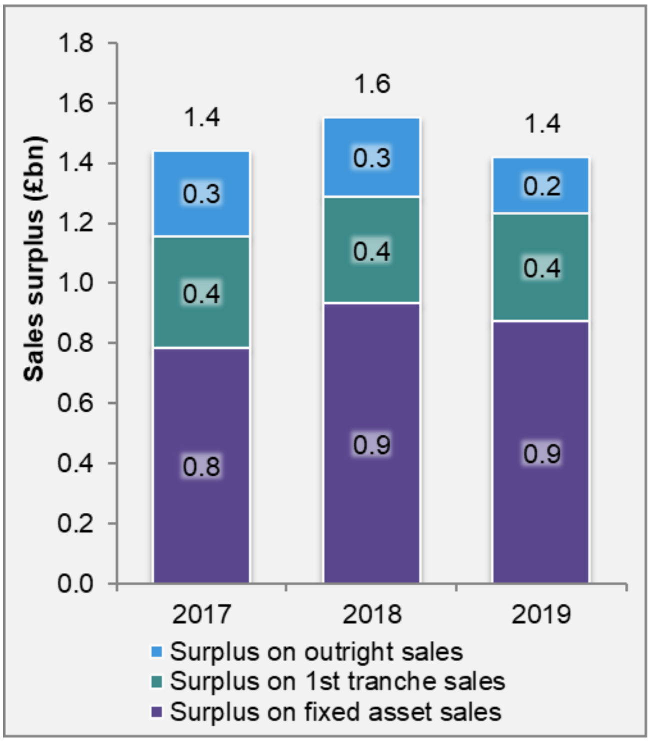
2.34 The decreased margin in 'for sale' activity broadly corresponds to movements in the market. Although average house prices in England increased by 1.1% between April 2018 and March 2019, there are significant regional variations which impact on the sector.

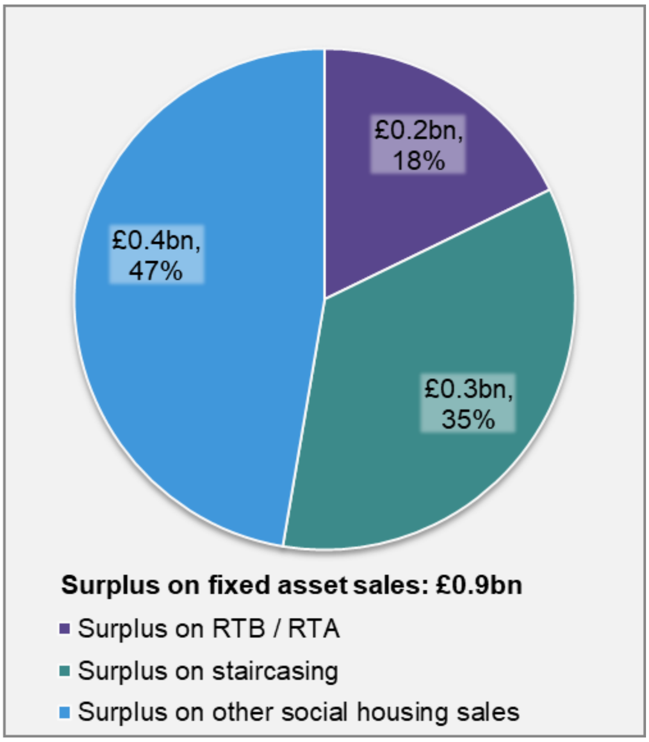
2.35 In London, average house prices fell by 1.9% and in the South East the decrease was 0.4% over the year. These regions are where the sector undertakes most of its sales activity. Average construction costs on new properties increased by 3.2% over the same period. Given the regional variations and the degree of uncertainty, the housing market remains a key risk for a small number of providers with significant exposure to manage.

2.36 Despite the tightening of conditions, sales turnover in the year increased. Including proceeds from fixed asset disposals of £2.2bn (2018: £2.1bn), total sales income was £5.1bn (2018: £4.8bn). However, the sector reported a reduction in total surplus on sales to £1.4bn (2018: £1.6bn). The surplus from first tranche sales increased by 1% whereas the surplus from properties developed for outright sale and surplus from the sale of fixed assets decreased by 29% and 6% respectively.

2.37 The value of properties for sale in the balance sheet have increased by 27% from £5.6bn in 2018 to £7.1bn in 2019. Nearly half of this is held by five providers, of which four are based in London and the South East. With house prices and margins decreasing in these regions there is increased risk of reduced profits from future property sales, however surplus on outright sales only represents 5% of the overall surplus.

Figure 4: Profit on sales





2.38 The profit from the sale of housing properties to existing tenants, either through RTB/RTA or through the sale of subsequent tranches of LCHO properties (staircasing) decreased in the year. In total, these categories of sales accounted for a profit of £0.5bn, 53% of the total profit from fixed asset sales in the year (2018: £0.5bn).

2.39 The remaining 47% of the profit from fixed asset sales primarily relates to other sales of housing properties[8] and to a lesser extent the sale of other fixed assets. During the period there were around 8,000 sales of properties outside the sector and just under 6,000 transfers of properties to other housing providers[9].

Interest cover remains comfortable despite the impact of weaker margins

2.40 The sector continues to report high levels of interest cover, in excess of 150% on an EBITDA MRI basis. Strong interest cover is required to service existing debt and support continued investment.

[8] This includes stock rationalisation and the sale of vacant properties. It is not possible to provide a breakdown of this figure based on the data submitted in the FVA return.

[9] Statistical Data Return Data Release 2018 to 2019

2.41 Although interest cover remains healthy, it has decreased by 12% in the year from 174% in 2018 to 153% in 2019. The main reason for the movement is due to a decrease in margins and to a lesser degree an increase in indebtedness. The decrease in interest cover would have been greater had there not been a small decrease in the effective interest rate.

2.42 There was a small increase in interest costs as a result of an increase in indebtedness. Total debt increased by 6% from £72.5bn in 2018 to £76.9bn in 2019. Debt, as a multiple of turnover, increased by 14 percentage points in the year.

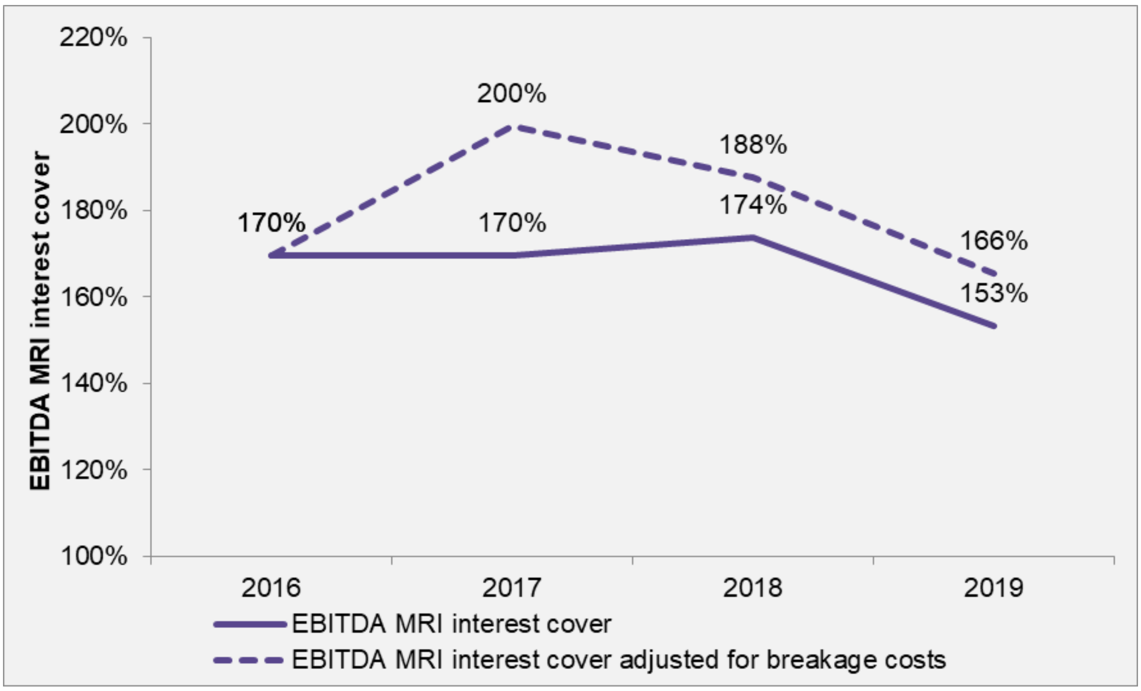
2.43 The total interest cost includes breakage costs associated with refinancing activities. Breakage costs have remained at a similar level to 2018 at £0.3bn. If breakage costs were adjusted out of the interest cost in both 2018 and 2019, interest cover would have decreased from 188% to 166% on a consolidated basis.

2.44 Of the 217 provider groups included in the Global Accounts, 187 have interest cover on a social housing lettings basis of greater than 100%.

Table 4: Interest cover metrics

	Consolidated		Entity	
%	**2019**	**2018**	**2019**	**2018**
EBITDA MRI Margin	27%	30%	29%	32%
EBITDA MRI interest cover	153%	174%	152%	169%
EBITDA MRI interest cover SHL	139%	156%	143%	158%
Effective interest rate	4.7%	4.8%	4.7%	4.8%
Effective interest rate (excluding breakage costs)	4.3%	4.4%	4.3%	4.4%
Debt to Turnover	377%	363%	413%	397%

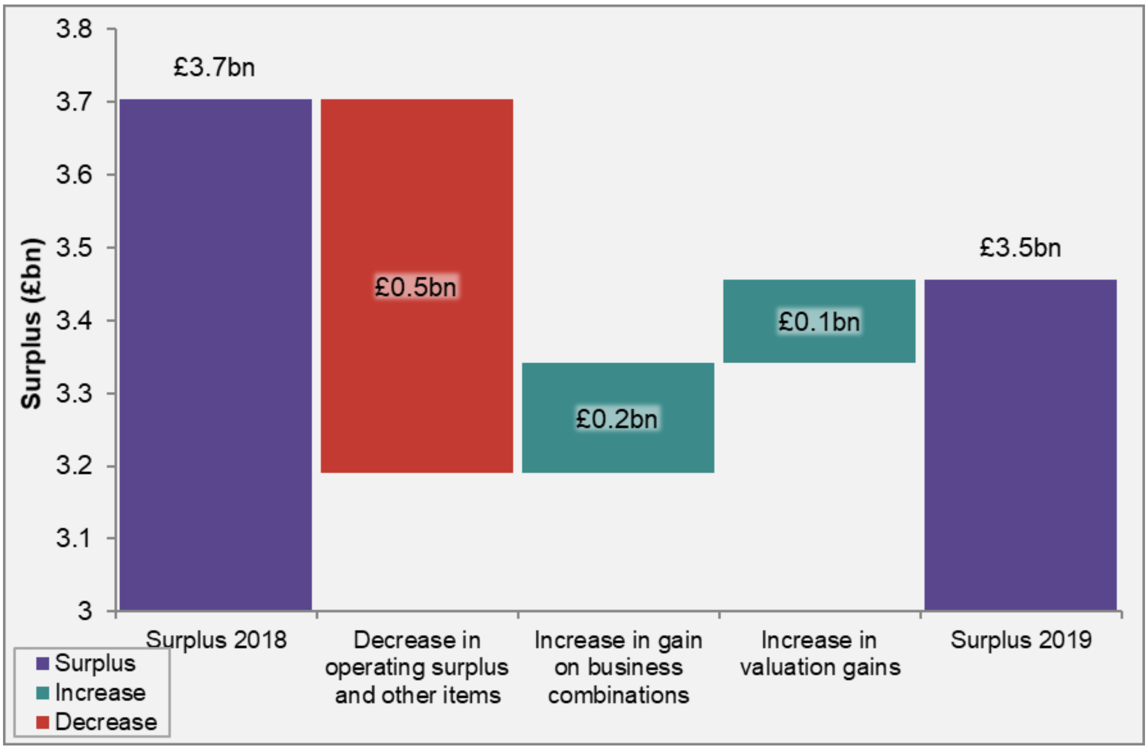
Figure 5: EBITDA MRI interest cover (consolidated)



Surplus was lower than the previous year

2.45 The surplus reported in 2019 was £3.5bn, a £0.2bn decrease on 2018. The net margin has decreased from 18% in 2018 to 17% in 2019.

Figure 6: Factors driving the decrease in surplus (consolidated)



2.46 The surplus has decreased by £0.2bn to £3.5bn in 2019. There are three main factors driving the decrease:

- £0.5bn reduction in operating surplus including surplus on sale of housing assets
- £0.2bn increase in gains on business combinations
- £0.1bn increase in surplus on valuation of investment properties.

2.47 The period ending March 2019 represents the second consecutive year the surplus on social housing lettings, which is the main component of operating surplus, has decreased, year on year. This had not previously happened since the regulator started collecting annual accounts data in the current format in 2004. In the period from 2004 to 2016 rents increased with inflation, however this reporting year is the third-year rents reduced by 1%, compared to other costs increasing, this reduces the surplus.

2.48 The reported surplus of £3.5bn reduces by a net £0.8bn to give a total comprehensive income for the period of £2.7bn. The main movement in the £0.8bn is due to accounting for defined benefit pension schemes. 2019 was the first year where the liability for SHPS has been identified and shown separately in accordance with defined benefit accounting rules. This is reflected in the accounts as a £0.4bn loss on the initial recognition of defined benefit liability. There was also an actuarial loss in respect of pension schemes of £0.4bn. Other movements on the total comprehensive income are £0.1bn surplus on revaluation of housing assets and a £0.1bn charge in respect of fair value of hedged instruments.

Operating performance

Table 5: Indicators of operating performance (consolidated)

	Consolidated		Entity	
% of gross rent	**2019**	**2018**	**2019**	**2018**
Rent loss from void properties	1.5%	1.5%	1.5%	1.5%
Bad debts for the year	0.8%	0.8%	0.8%	0.8%
Current tenant arrears	4.7%	4.4%	4.7%	4.3%

2.49 Bad debts, void loss and current tenant arrears are key performance indicators in assessing the efficiency of lettings and rent collection. In 2019 void losses and bad debts are consistent with 2018 at 1.5% and 0.8% of gross rent respectively.

2.50 Current tenant arrears have increased from 4.4% of gross rent in 2018 to 4.7% in 2019. During the year the number of claimants on Universal Credit (UC) has more than doubled from 188,000 to 445,000 and is expected to double again by March 2020[10]. As the pace of rollout and number of claimants on UC increases, providers will need to be carefully monitoring rent collection rates.

[10] Households on UC taken from published DWP Stat Xplore Data

Part 3 – Financial statements

Table 6: Statement of Comprehensive Income

£billion	*Note*	Consolidated 2019	Consolidated 2018	Entity 2019	Entity 2018
Turnover	*2*	20.9	20.5	18.7	18.4
Operating expenditure	*2*	(13.2)	(12.6)	(12.3)	(11.8)
Cost of sales	*2*	(2.5)	(2.2)	(1.5)	(1.2)
Operating surplus/(deficit)	*2*	**5.2**	**5.6**	**4.9**	**5.3**
Gain/(loss) on disposal of fixed assets	*3*	0.9	0.9	0.9	1.0
Operating surplus/(deficit) including fixed asset disposals		**6.1**	**6.6**	**5.8**	**6.3**
Gift aid and other items	*4*	0.2	0.1	0.5	0.3
Interest receivable	*5*	0.1	0.1	0.3	0.2
Interest payable and financing costs	*5*	(3.2)	(3.2)	(3.3)	(3.2)
Movements in fair value	*6*	0.2	0.1	0.2	0.1
Surplus / (deficit) before tax		**3.5**	**3.7**	**3.5**	**3.8**
Taxation		(0.0)	(0.0)	(0.0)	(0.0)
Surplus / (deficit) for the period		**3.5**	**3.7**	**3.5**	**3.8**
Unrealised surplus /(deficit) on revaluation of housing properties		0.1	0.0	0.1	0.0
Actuarial (loss) / gain in respect of pension schemes	*19*	(0.4)	0.3	(0.4)	0.3
Initial measurement of defined benefit pension liability	*19*	(0.4)	0.0	(0.4)	0.0
Change in fair value of hedged instruments	*6*	(0.1)	0.4	(0.0)	0.3
Total comprehensive income for the period		**2.7**	**4.4**	**2.7**	**4.4**

Table 7: Statement of Changes in Reserves

£bn	Income and expenditure reserves	Revaluation reserves	Other reserves	Total
Consolidated				
Closing balance 2018	***38.0***	***12.2***	***(0.6)***	***49.5***
Restatements	(0.1)	(0.3)	0.0	**(0.3)**
Balance at start of period	**37.9**	**11.9**	**(0.6)**	**49.2**
Surplus / (deficit) for the period	3.5	NA	NA	**3.5**
Other comprehensive income	(0.8)	0.1	(0.1)	**(0.8)**
Transfer from revaluation reserve	0.0	(0.0)	(0.0)	**(0.0)**
Other transfers	(0.0)	(0.0)	(0.0)	**(0.0)**
Closing balance 2019	**40.6**	**11.9**	**(0.7)**	**51.9**
Entity				
Closing balance 2018	***35.9***	***12.7***	***(0.4)***	***48.3***
Restatements	(0.1)	(0.7)	(0.0)	**(0.9)**
Balance at start of period	**35.8**	**12.0**	**(0.4)**	**47.5**
Surplus / (deficit) for the period	3.5	NA	NA	**3.5**
Other comprehensive income	(0.8)	0.1	(0.1)	**(0.7)**
Transfer from revaluation reserve	0.0	(0.0)	0.0	**(0.0)**
Other transfers	0.4	0.2	(0.0)	**0.7**
Closing balance 2019	**39.0**	**12.3**	**(0.4)**	**50.9**

Table 8: Statement of Financial Position

£billion	Note	Consolidated 2019	Consolidated 2018	Entity 2019	Entity 2018
Fixed assets					
Tangible fixed assets: housing properties at cost & valuation	*7*	150.8	145.0	146.6	140.9
Other fixed assets	*8*	3.2	3.1	6.7	6.6
Investment properties	*8*	6.2	5.6	3.7	3.6
Other investments	*8*	1.9	1.7	3.7	2.4
Total fixed assets		**162.0**	**155.4**	**160.7**	**153.5**
Current assets					
Properties held for sale	*9*	7.1	5.6	2.8	2.1
Trade and other debtors	*9*	2.0	2.1	1.5	2.2
Cash and short-term investments	*9*	7.3	7.1	5.6	5.7
Other current assets	*9*	1.5	1.6	4.5	3.6
Total current assets		**18.0**	**16.3**	**14.4**	**13.6**
Creditors: amounts falling due within one year					
Short-term loans	*11*	1.9	1.7	1.9	1.8
Deferred capital grant: due within one year	*12*	0.4	0.4	0.4	0.4
Other current liabilities	*10*	5.8	5.5	5.6	5.3
Total creditors: amounts falling due within one year		**8.0**	**7.6**	**7.9**	**7.5**
Net current assets/ liabilities		**9.9**	**8.7**	**6.5**	**6.1**
Total assets less current liabilities		**171.9**	**164.1**	**167.1**	**159.6**
Creditors: amounts falling due after more than one year					
Long-term loans	*11*	74.5	70.2	59.5	56.5
Amounts owed to group undertakings	*11*	0.0	0.0	13.5	12.4
Finance lease obligations	*11*	0.6	0.6	0.4	0.5
Deferred capital grant: due after more than one year	*12*	36.6	35.7	35.7	34.8
Other long-term creditors	*13*	4.4	5.1	3.5	4.2
Total creditors: amounts falling due after more than one year		**116.0**	**111.5**	**112.6**	**108.5**
Provisions for liabilities					
Pension provision	*19*	3.1	1.9	2.9	1.7
Other provisions	*14*	0.8	1.2	0.8	1.1
Total net assets		**51.9**	**49.5**	**50.9**	**48.3**
Reserves					
Income and expenditure reserve	*15*	40.6	38.0	39.0	35.9
Revaluation reserves	*15*	11.9	12.2	12.3	12.7
Other reserves	*15*	(0.7)	(0.6)	(0.4)	(0.4)
Total reserves		**51.9**	**49.5**	**50.9**	**48.3**

Part 4 – Notes to accounts

1 Global Accounts methodology

4.1.1 This analysis is based on a database of information derived from housing providers' audited financial statements. The database contains data from the annual account regulatory returns (known as FVAs) which must be submitted by providers that own or manage 1,000 or more homes. Where a provider is a parent of a group structure that produces consolidated financial statements, it submits both an entity and a consolidated FVA.

4.1.2 These regulatory returns are aggregated to produce the Statement of Financial Position (SOFP), Statement of Changes in Reserves and Statement of Comprehensive Income (SOCI). The statements and notes within this document are based on the entity and consolidated datasets for 2018/19. Comparative figures for 2017/18 are also provided.

4.1.3 Figures have been rounded to the nearest £billion to one decimal place. This can result in rounding differences in totals as the individual returns are denominated in £000s.

Aggregate SOCI

4.1.4 The aggregate SOCI reflects the sum of private registered provider activity for all accounting periods ending between 1 April 2018 and 31 March 2019.

Aggregate SOFP

4.1.5 The aggregate SOFP is the sum of individual statements where the financial year end falls within the period from 1 April 2018 to 31 March 2019.

Additional information

4.1.6 Additional information is provided on other activities, selected notes to the financial statements and the number of homes in management.

Changes to FVA return

4.1.7 Minor changes were made to the FVA template in 2019. These included additional disclosures relating to investment properties, properties held for sale and deferred capital grant. An additional segmentation column was added for income and expenditure in respect of Low-Cost Home Ownership. Additional lines were added for items including investment in subsidiaries, initial measurement of defined benefit pension liability, and lease costs.

2 Particulars of turnover, operating expenditure and operating surplus

a. Social housing lettings

4.2.1 Based on the consolidated returns, turnover from SHL increased by 0.6% to £15.5bn. The corresponding figure for the entity returns was £15.2bn (an increase of 0.3%). Factors contributing to the small difference between the consolidated and entity figures include turnover from small providers with fewer than 1,000 units where these form part of group structures, and social housing letting activity undertaken outside England.

Table 9: Income and expenditure from social housing lettings

	Consolidated		Entity	
£billion	**2019**	**2018**	**2019**	**2018**
Income				
Rents	13.3	13.3	13.1	13.1
Service charge income	1.4	1.4	1.4	1.4
Net rental income	**14.8**	**14.7**	**14.5**	**14.5**
Capital grant released to income	0.5	0.5	0.5	0.4
Other and revenue grant	0.2	0.2	0.2	0.2
Turnover from SHL	**15.5**	**15.4**	**15.2**	**15.2**
Expenditure				
Management	2.9	2.8	2.8	2.8
Service charge costs	1.7	1.6	1.7	1.6
Routine maintenance	2.1	1.9	2.1	1.9
Planned maintenance	1.0	0.8	0.9	0.8
Major repairs expenditure	0.5	0.5	0.5	0.5
Bad debts	0.1	0.1	0.1	0.1
Depreciation of housing properties	2.2	2.2	2.2	2.2
Impairment of housing properties	0.0	0.0	0.0	0.0
Other costs (including lease costs)	0.3	0.3	0.3	0.4
Expenditure on SHL	**10.7**	**10.3**	**10.6**	**10.3**
Operating surplus / (deficit) on SHL	**4.7**	**5.0**	**4.6**	**4.9**

4.2.2 Rental income increased by £28m (0.2%) in the consolidated returns. This reflects the third year of annual 1% rent reductions. The impact of the rent reductions is offset in the financial statements due to a number of factors:

- The increase in the number of housing units during the year
- Changes in the population of providers submitting financial statements
- Other factors relating to the rent reduction policy including; exemptions from the rent decrease for specific types of units and changes to rent that are permitted when a unit is re-let.
- The permitted increase for the rental element of LCHO units was 4.4% (RPI 3.9% in September 2018[11] plus 0.5%).

[11] Inflation and Price Indices – RPI all items time series, ONS.

4.2.3 Service charge income increased by £39m (2.8%) in the consolidated returns. The ratio of service charge income to associated costs decreased slightly from 85% to 83%.

4.2.4 Total expenditure on SHL increased by 4% to £10.7bn. There have been increases for all expenditure items with the exception of 'Impairment' and 'Other'. The largest increases were for the maintenance expenditure items with planned maintenance increasing by £111m (13%) and routine maintenance by £118m (6%). On a per-unit basis these increases were 12% and 5% respectively. There was a comparatively small (£5m, 1%) increase in expensed major repairs.

4.2.5 Management and service costs increased by £103m (4%) and £88m (5%) respectively. Bad debts increased by £3.2m (3.1%) amounting to £105m in total.

4.2.6 The consolidated operating surplus has decreased by £332m (7%) to £4.7bn with the operating margin decreasing from 33% to 30%. The results on an entity basis are not materially different.

b. Other social housing activities

Table 10: Other social housing activities

£billion	Consolidated 2019	Consolidated 2018	Entity 2019	Entity 2018
First tranche LCHO sales				
Turnover	1.4	1.2	1.4	1.2
Expenditure / Cost of sales	1.1	0.9	1.0	0.9
Surplus	**0.4**	**0.4**	**0.3**	**0.3**
Other social housing activities				
Turnover	0.8	0.8	0.9	0.9
Expenditure / Cost of sales	1.0	1.0	1.1	1.0
Surplus	**(0.2)**	**(0.2)**	**(0.2)**	**(0.1)**
Total				
Turnover	2.2	2.0	2.3	2.1
Expenditure / Cost of sales	2.1	1.9	2.1	1.9
Surplus	**0.1**	**0.2**	**0.2**	**0.2**

4.2.7 Turnover from first tranche LCHO sales in the consolidated statements increased by £178m (14%) to a total of £1.4bn. The operating margin has fallen, for a second consecutive year, from 29% to 25% resulting in a surplus of £0.4bn. Whilst the majority (76%) of providers report some turnover from this source, it is heavily concentrated amongst a small number of providers with 30 providers together accounting for two- thirds of the sector turnover from this source.

4.2.8 The income from other non-letting social housing activity fell by 2% and the loss from this activity increased by £45m. Almost half of this activity consists of income and expenditure relating to support services which saw a £28m reduction in income and a small reduction in the overall loss reported on this activity. Support service income is heavily concentrated with 13 providers reporting income in excess of £10m each from this source and together accounting for 69% of the sector total.

4.2.9 The remainder of other social housing activity includes: development services, community and neighbourhood activities, management services and a range of other activities. The sector reported a loss on these activities of £212m (2018: £165m) in the consolidated returns.

c. Non-social housing activities

Table 11: Non-social housing activities

£billion	Consolidated 2019	Consolidated 2018	Entity 2019	Entity 2018
Properties developed for sale				
Turnover	1.5	1.4	0.3	0.2
Expenditure / Cost of sales	1.3	1.1	0.2	0.2
Surplus	**0.2**	**0.3**	**0.0**	**0.0**
Other non-social housing activities				
Turnover	1.7	1.7	0.9	0.9
Expenditure / Cost of sales	1.5	1.5	0.8	0.8
Surplus	**0.2**	**0.2**	**0.1**	**0.1**
Total				
Turnover	3.2	3.0	1.2	1.1
Expenditure / Cost of sales	2.8	2.6	1.0	0.9
Surplus	**0.4**	**0.4**	**0.1**	**0.1**

4.2.10 Turnover from properties developed for outright sale increased by £101m (7.3%) to £1.5bn in the consolidated returns. This activity is primarily undertaken by non-registered entities within group structures and so is materially greater in the consolidated returns. The margin on this activity fell from 19% to 13% resulting in an overall decrease of £76m (29%) in the surplus reported of £0.2bn.

4.2.11 Outright sales activity is concentrated in a comparatively small number of providers with 56 reporting turnover in excess of £1m and eight reporting more than £50m (these eight providers together account for 55% of the sector total).

4.2.12 Some providers deliver units for outright sale through joint ventures. Income and expenditure from outright sale activity undertaken in joint ventures is not reported separately. The net surplus from joint ventures is included in the income statement under “Gift Aid and other items” (see note 4).

4.2.13 In total the turnover from other non-social activity was £1.7bn, a 3% increase on 2018. Of the total £1.7bn turnover attributable to other non-social income, £0.7bn is reported by just three large providers. The nature of the non-social housing activity is different in each of the three providers. Specialisms include land sales, leisure facilities management, property management services and the provision of student accommodation and nursing homes.

4.2.14 The surplus attributable to other non-social activity increased by £23m (14.2%) to £182m in comparison to 2018. Within this there were decreases in the surplus relating to student accommodation and nursing homes, and a £27m increase in the surplus from market rental activity.

3 Disposal of fixed assets

4.3.1 Based on consolidated returns, total fixed asset sales during the year generated proceeds of £2.2bn and a surplus of £0.9bn. This is an increase in sales proceeds of 1% from 2018, with a decrease in surplus of 6%.

4.3.2 Proceeds from Right to Buy and Right to Acquire sales reduced by 11% to £331m. There was minimal change in the surplus, which stood at £155m (2018: £156m). This gave an increased margin on sales of 47% (2018: 42%).

4.3.3 Receipts from staircasing sales reduced by 11% to £696m, with a resultant reduction in surplus of 12%. The margin on staircasing sales reduced from 45% to 44%.

4.3.4 Other fixed asset disposals generated proceeds of £1.1bn, a 15% increase from 2018, and resulted in a net surplus of £0.4bn. This category includes stock rationalisation, sale of void properties and to a lesser extent the sale of non-social housing assets.

4.3.5 Intra-group asset sales are eliminated on consolidation. This results in the entity totals being greater than the consolidated totals in respect of sales to other registered providers.

Table 12: Disposal of fixed assets

£billion	Consolidated 2019	Consolidated 2018	Entity 2019	Entity 2018
Staircasing				
Proceeds	0.7	0.8	0.7	0.8
Costs of Sale	0.4	0.4	0.4	0.4
Surplus	**0.3**	**0.3**	**0.3**	**0.3**
RTB/RTA				
Proceeds	0.3	0.4	0.3	0.4
Costs of Sale	0.2	0.2	0.2	0.2
Surplus	**0.2**	**0.2**	**0.2**	**0.2**
Other housing property sales				
Proceeds	0.9	0.7	0.6	0.7
Costs of Sale	0.6	0.4	0.3	0.4
Surplus	**0.3**	**0.3**	**0.3**	**0.3**
Sales to other RPs and Other				
Proceeds	0.2	0.3	0.6	0.4
Costs of Sale	0.1	0.2	0.4	0.2
Surplus	**0.1**	**0.1**	**0.2**	**0.2**
Total				
Proceeds	2.2	2.1	2.2	2.3
Costs of Sale	1.3	1.2	1.3	1.3
Surplus	**0.9**	**0.9**	**0.9**	**1.0**

4 Gift Aid and other items

Table 13: Gift Aid and other items

£billion	Consolidated 2019	Consolidated 2018	Entity 2019	Entity 2018
Gift Aid	0.0	0.0	0.4	0.3
Other items	0.2	0.0	0.1	0.0
Share of operating surplus JV	0.1	0.1	0.0	0.0
Total	**0.2**	**0.1**	**0.5**	**0.3**

4.4.1 Gift Aid receipts in entity returns totalled £399m in 2019 – a 24% increase on the £322m reported in 2018. The Gift Aid receipts in entity returns reflect non-social housing activity carried out by non-registered entities within group structures. There is a strong correlation between Gift Aid received in the entity returns and surplus on properties developed for sale in non-registered entities within consolidated returns.

4.4.2 'Other items' includes gains resulting from business combinations where the acquisition method of accounting has been used[12]. Based on the consolidated returns, there were four providers who reported net gains on business combinations, and one which reported a net loss. This amounted to a total gain of £175m (2018: £23m). The comparable figure in the entity returns was £83m (2018: £34m).

4.4.3 Providers account for activity undertaken in joint ventures using 'equity' accounting principles. In the SOCI, income and expenditure are not reported separately. The net surplus from joint ventures is included as a separate line item.

4.4.4 The net surplus from joint ventures has decreased by £11m (13%) to £73m in 2019. Three providers each reported more than £10m income from this source, together accounting for 64% of the total.

4.4.5 The vast majority of the surplus from joint ventures is generated through the provision of homes for outright sale. The turnover associated with the net surplus figure is not included in financial statements. Based on information available from other regulatory returns[13], outright sales income of £0.5bn underpins the net surplus on joint ventures reported in the year.

5 Interest payable and finance costs

4.5.1 Total interest and finance costs increased by £63m (2%) in the consolidated statements. Within this total there was a decrease of £83m (3%) in the interest payable on liabilities and an increase of £186m (54%) in other amounts payable. Loan breakage costs have been separately identified in submissions for the first time in 2019 and are included within 'Other amounts payable' in Table 14 which may explain some of this movement. Seven providers reported breakage costs in excess of £10m and together comprised 87% of the total.

Table 14: Interest and finance costs

£billion	**Consolidated**		**Entity**	
	2019	**2018**	**2019**	**2018**
Interest payable on liabilities	3.0	3.1	3.0	3.0
Defined benefit pension charges	0.1	0.1	0.1	0.0
Other amounts payable	0.5	0.3	0.4	0.4
Less: interest capitalised in housing properties	(0.3)	(0.3)	(0.2)	(0.2)
Total interest payable and financing costs	**3.2**	**3.2**	**3.3**	**3.2**

12 As public benefit entities, combinations between providers which cannot be classified as a merger are treated either as 'combinations that are in substance a gift' or as 'acquisitions'. The acquiring provider is required to recognise the fair value of the transferring provider in the Statement of Comprehensive Income

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6 Movements in fair value and re-measurements

Movements in the fair value of investment properties

4.6.1 Properties held for market rent and other properties held for a non-social housing purpose are categorised as investment properties. They are re-measured annually at their fair value, with any change in fair value being reported in the surplus for the year.

4.6.2 Based on consolidated returns, the fair value of investment properties held by the sector increased by £198m on re-measurement (2018: £148m). The figure based on entity returns was £109m, reflecting the extent to which market rent properties are held by non-registered entities within group structures.

4.6.3 Interest rate swaps and a minority of loans are classified as 'non-basic' or 'other' financial instruments under FRS102[14] and must be re-measured annually at fair value. The movement in fair value of interest rate swaps held by providers is reported either within surplus in the SOCI, or within other comprehensive income, depending on whether hedge accounting has been applied[15]. Based on consolidated returns, the movement in the fair value of non-hedged financial instruments was immaterial.

4.6.4 In respect of hedged financial instruments, the fair value adjustment on interest rate swaps correlates with the movement in swap rates. Swap rates reduced over the year, for example, the 15-year swap rate reduced from 1.57% in March 2018 to 1.32% in March 2019. Providers reported an adverse movement in the fair value of hedged financial instruments of £54m in other comprehensive income.

7 Fixed assets – housing properties

4.7.1 The consolidated results for the sector report an increase of £8.4bn over the year in the gross book value of properties, to reach a total of £171.5bn at March 2019. Movements during the year included:

- £7.7bn of investment in new supply
- £1.9bn worth of works to existing properties
- stock disposals with a book value of £1.3bn
- revaluation and other movements resulting in an increase of £0.1bn.

4.7.2 A net total of £1.8bn was added to the sector's cumulative depreciation and impairment balance, resulting in a net book value (NBV) of £150.8bn at March 2019. This represents an increase of £6.7bn (5%) during the year.

[14] Financial Reporting Standard 102

[15] Whether hedge accounting can be applied is dependent upon the nature of the economic relationship between the hedged item and the hedging instrument. Applying hedge accounting allows providers to report the movement in fair value in other comprehensive income reducing volatility in the recognised surplus.

Table 15: Fixed asset housing properties

£bn	Consolidated	Entity
Housing properties at cost or valuation		
Properties held at cost	161.2	155.8
Properties held at valuation	1.9	1.9
Total properties held at start of period	**163.1**	**157.7**
Additions		
Additions (new properties)	7.7	7.2
Additions (existing properties)	1.9	1.9
Disposals	(1.3)	(1.2)
Transfers and reclassifications[16]	0.0	1.4
Revaluation and other	0.0	0.0
Total properties held at end of period	**171.5**	**167.0**
Depreciation and impairment		
Total depreciation and impairment at start of period	19.0	18.7
Depreciation and Impairment charged in period	2.2	2.2
Released on disposal	(0.4)	(0.4)
Revaluation and other	(0.1)	(0.1)
Total depreciation and impairment at end of period	20.8	20.4
Net book value at end of period:		
Properties held at cost	148.7	144.6
Properties held at valuation	2.0	2.0
	150.8	**146.6**
Net book value at start of period[17]	**144.1**	**139.1**

8 Other fixed assets and investments

Table 16: Other fixed assets

	Consolidated		Entity	
£billion	**2019**	**2018**	**2019**	**2018**
Amounts owed by group	0.0	0.0	3.9	3.8
Tangible fixed assets: Other	2.2	2.1	2.0	1.9
HomeBuy loans receivable	0.7	0.8	0.7	0.8
Intangible fixed assets and goodwill	0.2	0.2	0.1	0.1
Total	**3.2**	**3.1**	**6.7**	**6.6**

[16] Includes mergers where the acquisition method is used and the units are transferred/acquired during the year.

[17] The net book value at the start of the period has been restated based on FVA returns submitted in 2019. The net book value on restatement excludes the value of housing properties transferred in the year where business combinations are accounted for using the acquisition method. The NBV of housing properties reported in the 2018 Global Accounts was £145.1bn based on consolidated returns (£140.9bn based on entity returns).

4.8.1 Based on consolidated returns, other fixed assets were valued at £3.2bn and are made up primarily of tangible fixed assets other than housing properties (69%). This includes items such as office buildings and IT equipment.

4.8.2 At the entity level, other fixed assets total £6.7bn and include £3.9bn owed by group undertakings that is eliminated on consolidation in to the group accounts. This amount is largely (92%) attributable to 12 associations reporting balances of more than £60m.

Table 17: Investments

	Consolidated		Entity	
£billion	**2019**	**2018**	**2019**	**2018**
Investment properties	6.2	5.6	3.7	3.6
Investment in joint ventures	1.2	1.0	0.1	0.1
Investment in associates	0.1	0.1	0.2	0.5
Investment in subsidiaries	0.0	NA	2.7	NA
Other investments	0.6	0.7	0.6	1.8
Total	**8.1**	**7.3**	**7.4**	**6.0**

4.8.3 The value of investment properties reported in consolidated group accounts increased by £0.6bn (11%) to £6.2bn in 2019. The increase is comprised of additions and transfers of £0.7bn, net fair value increases of £0.2bn, and disposals of £0.3bn. The total value relates to both housing properties developed for market rent and commercial properties, it includes £0.3bn relating to properties under construction. This is heavily concentrated within a small number of providers, with just 15 groups reporting almost 80% of the sector total. The value disclosed in the entity accounts is substantially lower (£3.7bn) reflecting the use of unregistered entities for this activity.

Table 18: Investment properties

£billion	**Group**	**Entity**
Opening valuation	**5.6**	**3.6**
of which under construction	*0.5*	*0.3*
Additions	0.5	0.3
Transfers & Reclassifications	0.2	(0.0)
Movement in fair value	0.2	0.1
Disposals	(0.3)	(0.2)
Closing valuation	**6.2**	**3.7**
of which under construction	*0.3*	*0.2*

4.8.4 Investment in joint ventures increased by £0.2bn (22%) to £1.2bn. A total of 49 of the 217 groups in the dataset reported investments in joint ventures, with one large provider accounting for 41% of the sector total. The value of investment properties and investment in joint ventures is markedly lower in the entity level accounts as much of this activity is managed through non-registered entities.

4.8.5 The total value of investments in subsidiaries reported in the entity level accounts amounted to £2.7bn in 2019. This is the first year that this figure has been reported separately, with previous years' balances being included within various categories including 'amounts owed by group undertakings', 'investment in associates' and 'other investments'. Of the £2.7bn total investment in subsidiaries reported in 2019, 43% related to just one large provider.

4.8.6 The value of investments in associates reported in the entity level accounts reduced by £302m to £217m – 84% of this reduction is attributable to balances being reclassified as investments in subsidiaries in 2019. Nearly 90% of the total investment in associates was reported by just one provider. The balances reported are greater in the entity accounts as they include investments in other registered providers within group structures, which are eliminated on consolidation.

4.8.7 The value of other investments reported in the entity level accounts reduced by £1.2bn to £0.6bn – 86% of this reduction can be attributed to balances being reclassified as investments in subsidiaries in 2019.

9 Current assets

4.9.1 Total current assets held by consolidated groups increased by 10% to £18.0bn. At entity level total current assets increased by 6% to £14.4bn. The main driver for this increase was the value of properties held for sale which increased by £1.5bn (27%) in the consolidated statements and by £0.7bn (33%) at the entity level.

Table 19: Total current assets

	Consolidated		Entity	
£billion	**2019**	**2018**	**2019**	**2018**
Properties held for sale	7.1	5.6	2.8	2.1
Trade and other debtors	2.0	2.1	1.5	2.2
Cash and short-term investments	7.3	7.1	5.6	5.7
Other current assets	1.5	1.6	4.5	3.6
Total current assets	**18.0**	**16.3**	**14.4**	**13.6**

4.9.2 The total value of properties held for sale is greater at consolidated level (£7.1bn compared to £2.8bn in entity returns) reflecting market sale developments undertaken by unregistered entities. Over 75% of the balance disclosed in 2019 is attributable to land and properties under construction rather than unsold completed properties. Properties held for sale are concentrated in a small group of providers with the top 20 providers together accounting for 78% of the sector total.

Table 20: Cash and short-term investments

	Consolidated		Entity	
£billion	**2019**	**2018**	**2019**	**2018**
Cash and cash equivalents	6.5	6.1	5.1	5.0
Short-term investments	0.8	1.0	0.5	0.7
Cash and short-term investments	**7.3**	**7.1**	**5.6**	**5.7**

4.9.3 Based on consolidated returns, cash and short-term investments increased by £0.2bn to £7.3bn. Cash held by the sector increased by 7% to £6.5bn. Short-term investments reported by the sector decreased by 17% to £0.8bn.

Table 21: Other current assets

	Consolidated		Entity	
£billion	**2019**	**2018**	**2019**	**2018**
Amounts owed by group undertakings	0.0	0.0	3.2	2.1
Refurbishment obligations	0.5	0.8	0.5	0.8
Fair Value of Derivative Fin. Instruments	0.0	0.0	0.0	0.0
Other	1.0	0.8	0.8	0.7
Total	**1.5**	**1.6**	**4.5**	**3.6**

4.9.4 Amounts owed by group undertakings make up 71% of other current assets in entity level accounts and increased by £1.1bn (51%) during the year. These assets are eliminated on consolidation in group accounts. At both consolidated and entity level, refurbishment obligations decreased by £0.3bn (39%) to £0.5bn.

10 Other current liabilities

Table 22: Other current liabilities

	Consolidated		Entity	
£billion	**2019**	**2018**	**2019**	**2018**
Trade creditors	0.7	0.6	0.5	0.4
Rent and serviced charge received in advance	0.5	0.4	0.5	0.5
Amounts owed to group undertakings	0.0	0.0	1.3	1.2
RCGF and DPF[18]	0.3	0.4	0.3	0.4
Accruals and deferred income	2.6	2.5	1.9	1.7
Pension deficit contribution liability	0.0	0.1	0.0	0.1
Other	1.6	1.4	1.1	1.1
Total	**5.8**	**5.5**	**5.6**	**5.3**

4.10.1 The total amount of other current liabilities declared in the consolidated group accounts increased by £0.3bn (5%) to £5.8bn. At the entity level the total amount was £5.6bn, representing an increase of 6% in the year. In both sets of accounts, the largest item is accruals and deferred income representing 45% of the consolidated group and 34% of the entity total.

4.10.2 Amounts owed to group undertakings make up 22% of the total in the entity level accounts and showed a 5% (£0.1bn) increase during the year. These liabilities are eliminated on consolidation in group accounts.

[18] Recycled Capital Grant Fund (RCGF) and Disposal Proceeds Fund (DPF)

11 Debt

4.11.1 Total debt held by the sector at consolidated level increased by £4.4bn (6%) to £76.9bn. In entity returns, debt increased by £4.1bn (6%) to £75.3bn.

Table 23: Debt

	Consolidated		Entity	
£billion	**2019**	**2018**	**2019**	**2018**
Short term loans	1.9	1.7	1.9	1.8
Long term loans	74.5	70.2	59.5	56.5
Amounts owed to group undertakings	0.0	0.0	13.5	12.4
Finance lease obligations	0.6	0.6	0.4	0.5
Total	**76.9**	**72.5**	**75.3**	**71.2**

4.11.2 Short-term loans, those that are repayable within one year, have increased by £0.2bn (9%) in the consolidated returns and by £0.1bn (5%) at the entity level. They continue to represent 2% of outstanding debt.

12 Capital grant

4.12.1 At consolidated group level, the total capital grant reported in the SOFP has increased by £1.0bn, from £36.0bn in 2018 to £37.1bn in 2019. The increase in the year includes the following:

- In 2019 government grant of £439m was amortised and recognised in income. The majority of housing properties are held at cost with deferred capital grant being held as a creditor in the SOFP and released to income over the useful life of the asset (the accrual model).
- A further £38m was released to income under the performance model, where providers hold properties at valuation and recognise grant as income on scheme completion.
- New grant totalling £1.4bn was received.

13 Other long-term creditors

Table 24: Other long-term creditors

	Consolidated		Entity	
£billion	**2019**	**2018**	**2019**	**2018**
Fair value derivative financial instruments	2.3	2.4	1.7	1.8
HomeBuy grant	0.4	0.6	0.4	0.5
RCGF	0.7	0.8	0.7	0.7
DPF	0.0	0.1	0.0	0.1
Pension deficit contribution liability	0.1	0.4	0.1	0.4
Other	0.9	0.9	0.7	0.7
Total	**4.4**	**5.1**	**3.5**	**4.2**

4.13.1 A total of 41 consolidated groups disclosed derivative financial instruments at fair value as a long-term creditor. These are providers that have utilised standalone interest rate swaps to fix the interest payable on variable rate debt and where the value of the cash flows due to the counterparty is greater than those due to the provider. Of these providers, 11 disclosed a value in excess of £70m, together accounting for 62% of the sector total.

14 Provisions

4.14.1 The provision reported in respect of pension liabilities is covered in Note 19 Pensions.

4.14.2 Based on consolidated returns, other provisions disclosed by the sector decreased by 28% to £0.8bn. Of this, £0.5bn (2018: £0.8bn) relates to obligations to undertake refurbishment work where a stock transfer provider has entered into an agreement with a local authority. Providers must recognise both a payment in advance (creditor) and a prepayment (debtor), the latter is reported within current assets – see Table 21: Other current assets.

15 Reserves

4.15.1 The total reserves within the consolidated group accounts (table 5) increased by 5% during the year to £51.9bn (entity: 5%, £50.9bn). The majority of this relates to the annual surplus recognised in the year.

4.15.2 Based on consolidated returns, the income and expenditure reserves increased by 7% to £40.6bn and the revaluation reserve decreased by 2% to £11.9bn. An unrealised surplus on the revaluation of housing properties of £92m was partially offset by the release of revaluation reserves following the disposal of fixed asset housing properties.

Other reserves, as reported in the SOFP (table 8) are further broken down in Table 25 below.

Table 25: Other reserves

	Consolidated		Entity	
£billion	**2019**	**2018**	**2019**	**2018**
Restricted reserves	0.2	0.1	0.2	0.1
Cashflow hedge reserves	(1.3)	(1.2)	(1.0)	(0.9)
Other reserves	0.4	0.4	0.4	0.5
Total	**(0.7)**	**(0.6)**	**(0.4)**	**(0.4)**

4.15.3 In most cases where providers have applied hedge accounting in respect of interest rate swaps, a negative hedge reserve is recognised. The aggregate cash flow hedge reserve reported by the sector decreased by £0.1bn. This is commensurate with the increase in the fair value of hedged financial instruments reported in other comprehensive income (see note 6).

4.15.4 Reserves are not 'cash backed' as the surpluses transferred to the SOFP are reinvested in providers' businesses, including major repairs of existing stock and the development of new homes.

16 Operating leases

4.16.1 The total amount of future obligations under operating leases disclosed in the financial statements has increased by £0.2bn (12%) to £2.0bn. There are five providers with operating lease commitments in excess of £100m, together accounting for 59% of the total.

4.16.2 A small proportion of the total lease obligations balance (around £0.5bn) relates to five providers operating an exclusively lease based business model. Only one of these has commitments over £100m.

Table 26: Operating leases

	Consolidated		**Entity**	
£ billion	**2019**	**2018**	**2019**	**2018**
Amounts payable not later than one year	0.2	0.2	0.2	0.2
Amounts payable between one and five years	0.5	0.4	0.4	0.4
Amounts payable later than five years	1.3	1.2	1.3	1.2
Total	2.0	1.8	1.9	1.7

17 Capital commitments

4.17.1 As a note to published accounts, providers must disclose the value of contracts for capital expenditure that are not provided for in the primary financial statements. In addition, they must also disclose the value of capital expenditure that has been approved by the board but not contracted for.

Table 27: Capital commitments

	Consolidated		**Entity**	
£ billion	**2019**	**2018**	**2019**	**2018**
Expenditure contracted but not accounted for	14.3	12.4	11.4	10.0
Expenditure approved but not contracted for	18.6	16.2	13.2	12.5
Total	33.0	28.6	24.6	22.4

4.17.2 Based on consolidated returns future capital expenditure contracted for has increased by 16% to £14.3bn. The value of capital expenditure approved but not yet contracted for has increased by 15% to £18.6bn. Future capital expenditure commitments are concentrated in several large provider groups. Eleven providers disclosed capital commitments in excess of £750m each – together these accounted for 50% of the £33bn total.

18 Units

Table 28: Social housing units owned and / or managed[19]

Unit numbers ('000s)	Consolidated	Entity
2018 closing units managed and / or owned	**2,712**	**2,699**
Re-statements	(23)	(39)
Opening units managed and / or owned	**2,689**	**2,660**
Units developed	45	45
Units sold / demolished	(16)	(16)
Transfers and other movements	15	27
Closing units managed and / or owned	**2,733**	**2,717**

4.18.1 The number of social units developed increased from 42,000 in 2018 to 45,000 in 2019. Net of sales, demolitions and transfers the number of social homes owned and or managed increased by 44,000 to 2,733,419.

Table 29: Non-social housing units owned and / or managed

Unit numbers ('000s)	Consolidated	Entity
2018 Closing units managed and / or owned	**103**	**43**
Re-statements	(2)	(1)
Opening units managed and / or owned	**101**	**42**
New units developed or acquired	4	3
Units sold / demolished	(2)	(2)
Transfers and other	(7)	2
Closing units managed and / or owned	**95**	**45**

4.18.2 The number of non-social homes in management in consolidated returns is greater than based on aggregate entity returns. This reflects the extent to which non-social activity is delivered within non-registered entities within group structures.

4.18.3 Based on consolidated returns, 4,000 new non-social rent units were developed in the year. The total number of non-social homes owned and or managed by the sector decreased by 6,000 to 95,000.

4.18.4 In addition to the note on non-social housing units, the FVA template includes disclosures relating to the number of outright sale units developed and sold. Based on consolidated returns, 4,900 new outright sale units were completed in the year – an increase of 11% from 2018. In total 59 providers reported outright sale development activity with the 14 completing more than 100 units accounting for 72% of the total.

19 Re-statements between the 2018 and 2019 return include results of merger activity where units included in the 2018 closing total are not shown in the 2019 opening total but instead form part of the 'transfers and other movements' line. Other changes are the result of providers correcting the classification of units in previous returns.

19 Pensions

4.19.1 Over half of PRP groups are members of either the Social Housing Pension Scheme (SHPS) or the Scottish Housing Associations' Pension Scheme (SHAPS). These are multi-employer, defined benefit pension schemes administered by The Pensions Trust Retirement Solutions (TPT). In previous years, members have had to apply defined contribution accounting rules to these schemes, as there was insufficient information available to identify individual members' shares of the scheme assets and liabilities. This meant recognising a liability within creditor balances to represent the present value of agreed deficit repayment contributions.

4.19.2 From 2019, TPT made available sufficient information on plan assets and liabilities to allow the scheme to be accounted for under defined benefit accounting rules, as required by FRS102. For PRPs that are members of these schemes, this has meant that the 2019 financial statements have included a transitional adjustment to move to defined benefit accounting.

4.19.3 The transitional adjustment is to derecognise the amount previously shown within creditors, and to recognise a liability for its obligations under the plan, net of plan assets, with any difference arising between the two amounts being shown as a separate item within other comprehensive income. This can be seen in the reported results, with the pension deficit contribution liability reducing to £0.1bn compared to £0.5bn in 2018. The pension provision for liabilities has increased to £3.1bn (2018: £1.9bn), and a loss on initial recognition of defined benefit pension liabilities of £0.4bn has been posted to other comprehensive income.

4.19.4 Actuarial gains and losses on pension schemes fluctuate year-on-year. In 2019, based on consolidated returns, the sector reported an overall actuarial loss of £0.4bn, following an overall actuarial gain of £0.3bn being recognised in 2018. Gains and losses on SHPS/SHAPS schemes are included within the results for 2019, but not for 2018.

4.19.5 The overall actuarial loss for the year results from movements in underlying actuarial assumptions. These include projected changes in inflation, the rate of increase in the level of pensions paid, future salary increases, a discount rate linked to gilts and mortality assumptions. In 2019, changes to assumptions, particularly higher inflation and lower discount rates, resulted in an increase in the present value of future liabilities.

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